



Norfolk Public Schools

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
of the
SCHOOL BOARD FOR THE CITY OF NORFOLK
(A Component Unit of the City of Norfolk, Virginia)**

2007 CAFR

**Fiscal Year Ended
June 30, 2007**

**Prepared by the
Accounting Department**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
SCHOOL BOARD FOR THE CITY OF NORFOLK
(COMPONENT UNIT OF THE CITY OF NORFOLK, VIRGINIA)**

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INTRODUCTORY SECTION

School Board for the City of Norfolk

Mr. Barry Bishop
Chair

Mrs. Ursula Rhodes
Vice-Chair

LTC George W. "Billy" Cook, Jr.
Member

Mr. James T. Driggers
Member

Dr. Linda B. McCluney
Member

Dr. Stephen W. Tonelson
Member

Dr. Lillian P. Wright
Member

Dr. Stephen C. Jones
Superintendent

Members of Norfolk City Council

Mr. Paul D. Fraim
Mayor

Mr. Anthony L. Burfoot
Vice Mayor

Mrs. Daun S. Hester
Council Member

Mr. Paul R. Riddick
Council Member

Mr. Donald R. Williams
Council Member

Mr. Barclay C. Winn
Council Member

Mr. W. Randy Wright
Council Member

Dr. Theresa W. Whibley
Council Member

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

School Board for the
City of Norfolk, Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Ecker

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to
SCHOOL BOARD FOR THE CITY OF NORFOLK
For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2006

Upon recommendation of the Association's Panel of Review which has judged that the Report
substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

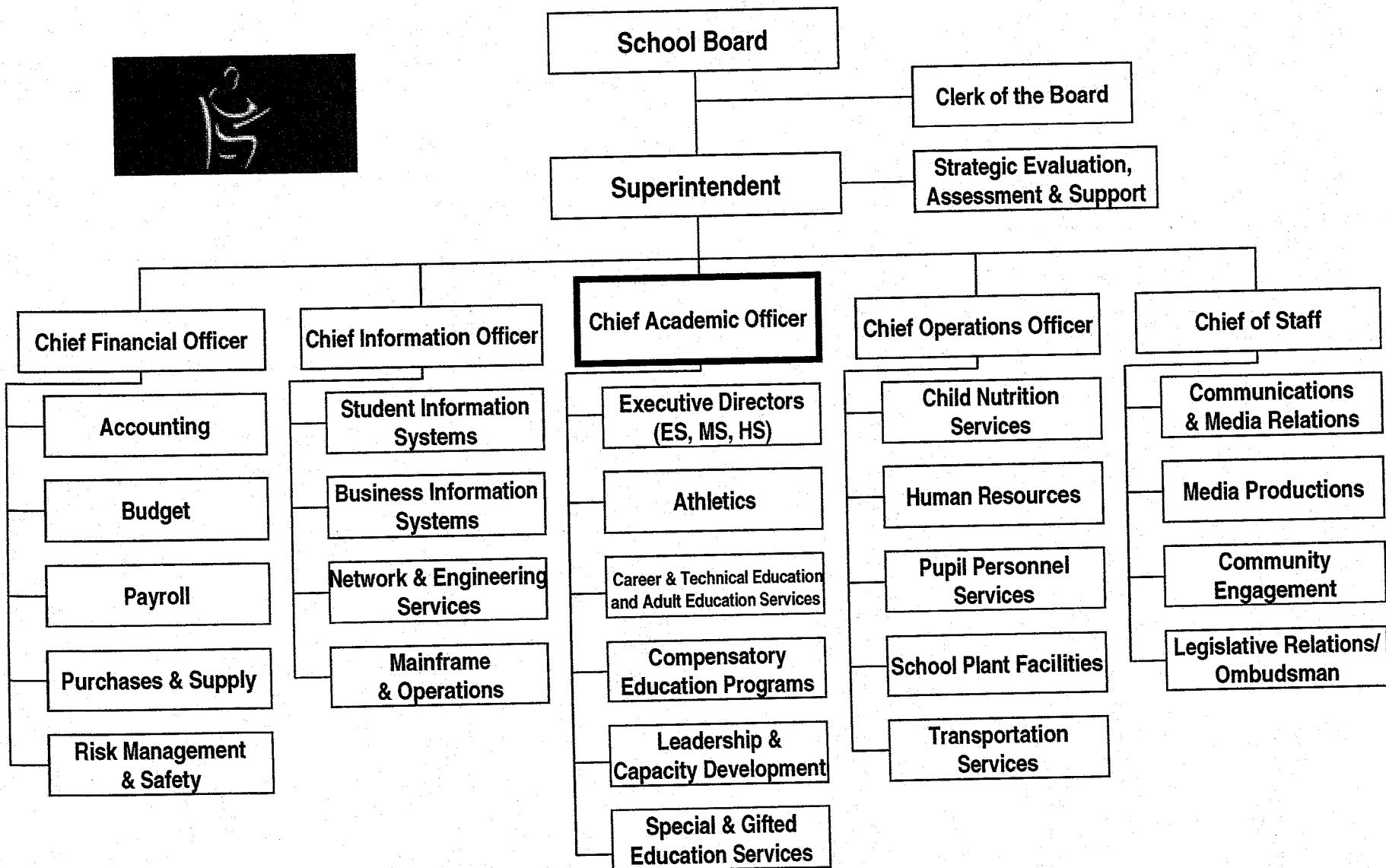
A handwritten signature in black ink.

President

A handwritten signature in black ink.

Executive Director

Norfolk Public Schools' Organizational Chart





Norfolk Public Schools

December 28, 2007

To Members of the School Board for the City of Norfolk:

The Comprehensive Annual Financial Report (CAFR) of the School Board for the City of Norfolk, a component unit of The City of Norfolk, Virginia, for the fiscal year that ended June 30, 2007 is hereby submitted. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and includes all disclosures necessary to understand the School Board's financial activities. The responsibility for the accuracy, completeness and fairness of the data presented, as well as all accompanying disclosures, rests with the School Board and its management.

This report is prepared in conformity with accounting principles generally accepted in the United States of America for governments as promulgated by the Governmental Accounting Standards Board (GASB). This report is intended to present a comprehensive summary of significant financial data to meet the needs of the citizens, taxpayers, financial institutions, and the School Board. Generally accepted accounting principles (GAAP) require that management provide a narrative introduction and overview and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). The letter of transmittal is intended to complement the required MD&A and is intended to accompany it. The MD&A can be found immediately following the reports of the independent auditors.

The firm of McGladrey & Pullen, LLP performed the audit of the School Board for the City of Norfolk (City). They were awarded the contract to provide the annual financial audit through the year ending June 30, 2007, as part of a combined proposal between the School Board for the City of Norfolk, The City of Norfolk, and other City agencies.

The report includes all funds that are controlled by or dependent on the Superintendent and School Board. Additional information regarding the Schools Division's financial reporting entity may be found in the notes to the basic financial statements. During school year 2006-2007, The School Board operated five high schools (grades 9-12), nine middle schools (grades 6-8), thirty-five elementary schools (grades K-5), and fifteen other educational facilities. The School Board served 32,962 students and provided a full range of educational services appropriate to grades K-12, including regular and enriched academic education, special education for handicapped youngsters, vocational education, and programs for those with limited English proficiency. These programs are supplemented by a wide variety of offerings in fine arts and athletics. The School Board is considered a component unit of the City of Norfolk.

ECONOMIC OUTLOOK

The City of Norfolk, Virginia has approximately 242,000 people and encompasses over 66 square miles. It has beachfront that covers seven miles of Chesapeake Bay and a total of 144 miles of shoreline along lakes, rivers, and the Bay. Much of the land is located in residential

neighborhoods. Norfolk's neighborhoods are its greatest strength. There are more than 120 neighborhoods that draw tourists who seek a glimpse of Norfolk's everyday life and developments that offer a range of architectural styles.

The City's top ten employers have approximately 95,175 employees in their workforce. Major industries include manufacturing, construction, retail, finance, and the military to name a few. Norfolk is one of the top ten markets for business relocation and expansion, according to Expansion Management Magazine. USA Today called Norfolk one of the top ten booming downtowns, recognizing decades of housing, retail, and financial boom. In addition, the City is home to the Virginia Opera, the Virginia Stage Company, and the Virginia Symphony.

The public school system is comprised of 35 elementary schools, 9 middle schools, 5 high schools, and 15 auxiliary schools. The auxiliary schools provide education for vocational, technical, and adult education. Enrollment is projected to decline about one percent per year over the next five years. Salaries for teachers average \$40 thousand per year. City funding for the School Board is based on taxes received from real estate and personal property taxes. Real estate in Norfolk is taxed at \$1.27 per \$100 of assessed value annually. There is a current review to decrease the real estate tax to \$1.08 by 2008. This can have an impact on funding to the School District. The personal property tax for motor vehicles is \$4 per \$100 of assessed value, using the NADA Blue Book value.

The School Board is fiscally dependent (i.e., it does not have taxing, levying or borrowing authority). It derives most of its funding from allocations from the City of Norfolk and Commonwealth of Virginia. Long-term financial planning includes a five-year forecast submission that evaluates the budget and makes certain revenue and expenditure assumptions for planning purposes. State revenue is assumed at a 2% growth rate which factors in an enrollment decline of 1% per year. City and other local revenue are calculated at a 3% rate. Federal funds are estimated to remain stable. Expenditures are assumed at a 3.5% increase in costs per year for staff retention and other inflationary costs.

MAJOR INITIATIVES

Quality schools are a key component in preserving the City's vitality. A quality education will prepare each student to become a life-long learner that exceeds test scores and state standards. The School Board for the City of Norfolk will become a "world class" educational system by 2010. The mission of the School Board is to educate each student to be a successful, productive contributor to society by providing powerful teaching and learning opportunities. In a world class school district:

- All students possess the habits of powerful literacy
- All achievement gaps are closed
- All schools exceed state and national performance standards
- All students access exciting options and opportunities upon graduation

The School Board capitalizes on the urban advantages of location, diversity, and vision to prepare powerfully literate and life-long learners. Families recognize that the school system is nationally recognized for academic programs, highly qualified faculty, and a commitment to ensuring that every child succeeds. Student performance continues to improve as the achievement gap is narrowed among various ethnic groups and significant academic progress continues to rise among elementary schools.

All accomplishments come during a period of significant financial stress for public education. However, the School Board has a continued commitment to finding administrative efficiencies that has allowed over 78 percent of the 2007 General Fund expenditures to go directly for instructional support. This focus on direct classroom support maintains programs including class size ratios, the Middle School Quality Education Plan, pre-kindergarten programs, Dreamkeepers Academy, and the School of International Studies at Meadowbrook.

The School Board continues to provide support to employees and schools to reach world class status. Phase I of the Pay and Classification Study was implemented for hourly employees. The pay study was done to better reflect current market conditions. The School Board contributes to the Virginia Retirement System (VRS) for professional and nonprofessional employees. In addition, the School Board has reviewed the requirements for Other Post Employment Benefits (OPEB) and set policy that will reduce the overall liability in 2008 and future years.

The school system had five pre-kindergarten classes added in 2007. In addition, five schools had parking lot upgrades completed. The upgrades were done to enhance the overall safety for the children disembarking from the school busses, employees, and visitors. The School Board also initiated a major project for Energy Conservation Measures (ECM). A performance contract is anticipated using the enabling legislation from the Commonwealth of Virginia. This program is expected to generate significant annual savings in energy consumption and maintenance.

The School Board also continues to upgrade existing facilities. City funding has supported the School Board facility upgrades through its Capital Improvement Project (CIP) fund. CIP funds were used to fund major construction projects at Blair Middle School, Coleman Place, and school parking lots. Other facility upgrades included plumbing, air conditioning, roofing, asbestos abatement, and various other projects that enhanced our school facilities.

In summary, the School Board will continue its journey to world-class status. While continuing this process, the School Board's overall financial position remains strong, stable and consistent. It should be noted that the positive financial performance was achieved even as the School Board implemented new educational programs to improve academic achievement and world-class status.

FINANCIAL INFORMATION

Internal Controls

Internal controls are designed to provide reasonable assurance that assets of the reporting entity are protected from loss, theft, or misuse, and to ensure that reliable financial records are maintained for preparation of financial statements that are in conformity with generally accepted accounting principles.

Internal control evaluations occur with the above guidelines when the annual audit process is undertaken, and the controls are believed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. In addition, this internal control structure is subject to periodic evaluation by management of the School Board.

Budgetary Controls

Budgetary controls are maintained to ensure compliance with Virginia statutes governing public entities and school operations. These statutes provide legal standards for preparing, presenting, adopting, and administering the budget. The School Board presents a proposed budget to the City who then adopts its own operating and capital project budgets incorporating its contributions to the School Board. The School Board makes any required adjustments, and then adopts an amended budget. The Superintendent is authorized to make expenditures and commitments of funds as approved by the Board in the adopted annual budget in accordance with the Board's policies and applicable state and federal regulations and laws.

The School Board also maintains an encumbrance accounting system as one method of accomplishing budgetary control. Outstanding encumbrances are reported as a reservation of fund balance of the General Fund at year-end. The School Board must request re-appropriation from the City to retain any unexpended appropriated funds.

Financial Highlights

The School Board continues to be in very sound financial condition as demonstrated by the basic financial statements included in this report. The School Board has operated within the resources available while achieving many of its program goals.

The School Board for the City of Norfolk is a component unit of the City of Norfolk, Virginia, and the City is the legal holder of debt related to the acquisition of school facilities.

Overall, the School Board will experience limited growth in funding in the near future. As public education is a services-oriented industry, approximately 84% of our operating costs are related to employee compensation and fringe benefits. Therefore, providing a competitive employee compensation package will continue to be very challenging.

Cash Management

The City Treasurer also serves as Treasurer for the School Board. As such, monies are transferred from the governing bodies to the School Board's cash account on an as-needed basis until year-end when the balances of the total appropriations are transferred.

Accordingly, "bank deposits" were either insured by federal deposit insurance (FDIC) or collateralized. All collateral on such deposits was held by the Treasurer of Virginia in accordance with the Virginia Security for Public Deposits Act. Remaining investments were held by a third party, safekeeping agent.

Risk Management

The Risk Management Program currently involves maintaining several comprehensive insurance policies, monitoring various loss control activities, and a program to effectively manage claims filed against the School Board. The School Board Risk Management Senior Director and his staff monitor all claims.

The School Board insurance coverage includes the following: a workers' compensation insurance policy, a comprehensive general liability policy, a property insurance policy, a boiler and

machinery coverage policy, fleet insurance, umbrella liability policy, employee blanket bond, and a School Board errors and omissions policy.

The School Board maintains an ongoing program of risk management, primarily focusing on the support service areas. The loss control program is structured to reduce and control on-the-job injuries and accidents. The program also includes safety awareness training for higher risk categories of employees.

The School Board retains the professional services of Marsh of Norfolk, Virginia. This firm sends representatives to lead and participate in analyzing areas of concern and assist with ideas to reduce and control overall risk. The School Board plans to continue the current program and expand its parameters as needed to meet safety needs.

Independent Audit

State statutes require an annual independent audit of the School Board's financial records and transactions. This requirement has been addressed. In addition, an unqualified opinion of McGladrey & Pullen, LLP, an independent audit firm, has been included in this report.

Single Audit Act

The School Board is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditors' report on internal control and compliance with applicable laws regulations, contracts and grants, and a schedule of findings and questioned costs, if any, are included in a separately issued City of Norfolk and School Board for the City of Norfolk combined single audit report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board for the City of Norfolk for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This is the second consecutive year that the School Board has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the School Board has received the Association of School Business Officials (ASBO) International Certificate of Excellence in Financial Reporting Program (COE) for excellence in the preparation and issuance of the fiscal year end 2007 school system. The School Board has provided a high-quality CAFR for the fiscal year ended 2007.

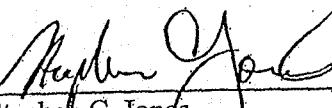
The Certificate of Excellence in Financial Reporting Program was designed by ASBO International to enable school business officials to achieve a high standard of financial reporting. The award, the highest recognition for school district financial operations offered by ASBO, is only conferred to the school systems that have met or exceeded the standards of the program.

ACKNOWLEDGEMENTS

We would like to express appreciation to the members of the School Board for the City of Norfolk for their concern in providing fiscal responsibility and accurate reporting of financial data to the students, parents, staff and general community of the School Board. The School Board's commitment to strong conservative policies and practices in the oversight of the financial affairs of the school division contributed to the results achieved in this financial report.

In addition, we would like to thank the members of the Business and Finance Division, who devote so many hours each year to the preparation of accurate financial reports. During the year, they render professional and knowledgeable services to and on behalf of the school division, and maintained the financial records on a current and timely basis. The administration and School Board are commended for its continuing support that is vital to the financial health of the school division and demonstrates commitment to financial accountability and stewardship.

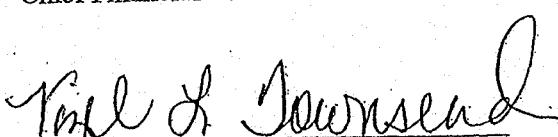
Respectfully submitted,



Dr. Stephen C. Jones
Superintendent of Schools



Mr. Frederick J. Schmitt
Chief Financial Officer



Ms. Vizel L. Townsend
Senior Director, Accounting

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FINANCIAL SECTION

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Chairman and Members of
The School Board for the City of
Norfolk, Virginia

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board for the City of Norfolk, Virginia, a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the School Board for the City of Norfolk, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Board of the City of Norfolk, Virginia's management. Our responsibility is to express our opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board for the City of Norfolk, Virginia, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and grants fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2007 on our consideration of the School Board for the City of Norfolk, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Schedules of Funding Progress and Contributions for a defined benefit pension plan on pages 3 through 14 and 37 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the basic financial statements of the School Board for the City of Norfolk, Virginia. The introductory information, budgetary basis exhibits, fiduciary assets and liabilities schedule and statistical tables as well as the Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary basis exhibits, fiduciary assets and liabilities schedule and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Greensboro, North Carolina
December 17, 2007

**SCHOOL BOARD FOR THE CITY OF NORFOLK
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

INTRODUCTION

Our discussion and analysis of the School Board for the City of Norfolk (School Board) of Norfolk, Virginia financial performance provides an overview of the school district's financial activities for the fiscal year ended June 30, 2007. The intent of this management's discussion and analysis is to look at the School Board's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of our financial performance.

The School Board has prepared its annual financial report using the Governmental Accounting Standards Board financial reporting model. The reporting model is a combination of both government-wide financial statements and fund financial statements. The basic financial statements contain three components:

- 1) Government-wide financial statements include the Statement of Net Assets and the Statement of Activities, which provide a broad, long-term overview of the School Board's finances,
- 2) Fund financial statements, including the balance sheets, provide a greater level of detail of revenues and expenditures and focus on how well the School Board has performed in the short term in the most significant funds, and
- 3) Notes to the basic financial statements.

The report presents the financial highlights for the last year and contains other supplementary information.

OVERALL ANALYSIS

The School Board for the City of Norfolk serves over 35,000 students with a general fund operating budget of \$309.7 million and a capital budget of \$36.8 million. In general, the financial operations of the School Board have performed well during uncertain financial times with varying financial indicators and results. In those revenue areas that are directly linked to the economy, the School Board did not experience any major disruptions. On the expenditure side, the School Board's monitoring of the budget resulted in the reprogramming of funds to maximize the overall instructional goals. At the end of the fiscal year 2007, the School Board maintained a strong cash position.

In summary, the School Board's overall financial position remains strong, stable and consistent. It should be noted that the positive financial performance was achieved even as the School Board implemented new educational programs to improve academic achievement and world-class status.

**SCHOOL BOARD FOR THE CITY OF NORFOLK
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

FINANCIAL HIGHLIGHTS

Key financial highlights for 2007 are as follows:

- On the government-wide financial statements:
 - Total net assets increased from \$75.8 million in 2006 to \$83.4 million at June 30, 2007, an increase of approximately \$7.6 million, or 10%.
 - Total revenues increased \$27.8 million from \$348.7 million in fiscal year 2006 to \$376.5 million in fiscal year 2007, or 8%.
 - Total expenses increased \$27.9 million from \$340.9 million in fiscal year 2006 to \$368.8 million in fiscal year 2007, or 8%.
- On the fund financial statements:
 - In the General Fund, the ending fund balance increased from \$13.6 million in fiscal year 2006 to \$18.3 million in fiscal year 2007, or 35%.
 - In the General Fund, unreserved and undesignated fund balance decreased from \$4.0 million in fiscal year 2006 to \$3.8 million at June 30, 2007, or 5%.

OVERVIEW OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements provide readers with a broad overview of the School Board's finances in a manner similar to a private sector business. The Statement of Net Assets and the Statement of Activities provide information about the activities of the School Board as a whole, presenting both an aggregate and a long-term view of finances. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

- The Statement of Net Assets presents information on all of the School Board's assets and liabilities, with the difference between the two reported as *net assets*. Increases or decreases in net assets may serve as a useful indicator of whether financial position is improving or deteriorating.
- The Statement of Activities presents information on activities that show how direct expenses for an activity versus program revenues received results in a *change to net assets*. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods.

**SCHOOL BOARD FOR THE CITY OF NORFOLK
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

Government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions with recovered costs through user fees and charges (*business-type activities*). The School Board reports only the governmental activities, since it has no business-type activities.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) present governmental activities of the School Board. The City, State sales tax, and intergovernmental revenues principally support these governmental activities. The reported governmental activities of the School Board are Instruction, Administration, Attendance and Health, Pupil Transportation, Information Technology, Operations and Maintenance, School Plant, and Food Services.

The government-wide financial statements are presented in Exhibits I and II.

Financial Analysis of the School Board as a Whole

All of the School Board's services are reported in the government-wide financial statements, including instruction, pupil support services, instructional support services, administrative support services, facility support services, and food services. Intergovernmental revenues, interest, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

***Statement of Net Assets*
(Thousands of dollars)**

	Governmental Activities			
	2007	2006	Difference	% Change
Current Assets	\$ 69,132	\$ 71,754	\$ (2,622)	(3.7)%
Capital assets, net	66,064	50,497	15,567	30.8%
Total assets	135,196	122,251	12,945	10.6%
Current liabilities	40,865	38,841	2,024	5.2%
Long-term liabilities	10,927	7,655	3,272	42.7%
Total liabilities	51,792	46,496	5,296	11.4%
Net Assets:				
Invested in capital assets,				
Net of related debt	66,064	50,497	15,567	30.8%
Restricted	2,993	19,045	(16,052)	(84.3)%
Unrestricted	14,347	6,213	8,134	130.9%
Total net assets	<u>\$ 83,404</u>	<u>\$ 75,755</u>	<u>\$ 7,649</u>	<u>10.1%</u>

**SCHOOL BOARD FOR THE CITY OF NORFOLK
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

- **Total assets** increased 10.6% due primarily to capital assets that exceeded balances for fiscal year end 2006. Capital assets include new construction projects for Coleman Place and parking lots at various schools.
- **Capital assets, net of depreciation** increased \$15.6 million or 30.8% over the prior fiscal year. This net increase represents \$27.2 million in additions and \$5.3 million in net disposals, net of \$6.3 million in current year depreciation expense. Capital assets, net of depreciation, for fiscal year 2006 totaled \$50.5 million and \$66.1 million in fiscal year 2007. The majority of the increase was due to the construction projects at Coleman Place Elementary School and Blair Middle School.
- **Total liabilities** increased \$5.3 million or 11.4% over the prior fiscal year. Long-term liabilities are due in more than one year and are comprised of compensated absences, workers' compensation, and claims liability for the School Board. Long-term liabilities total \$7.7 million in fiscal year 2006 and \$10.9 million in fiscal year 2007. The 42.7% increase in long-term liabilities is due to a \$3.1 million increase in compensated absences and \$200 thousand increase in workers' compensation over the prior year.
- **Total net assets** increased \$7.6 million or 10.1% compared to the prior fiscal year. Net assets totaled \$75.8 million at June 30, 2006 and \$83.4 million at June 30, 2007. The overall increase is due to an increase in investment in capital assets, net of related debt due to the construction projects noted above and unrestricted funds partially offset by a decrease in restricted funds. Restricted net assets decreased 84.3% or \$16.1million as a result of capital expenditures that were offset by prior year fund balance. Unrestricted net assets increased 130.9% or \$8.1 million due to an increase in encumbrances at fiscal year-end.

**SCHOOL BOARD FOR THE CITY OF NORFOLK
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

Statement of Net Activities
(Thousands of dollars)

	Governmental Activities			
	2007	2006	Difference	% Change
Revenues:				
Program Revenues:				
Charges for services	\$ 5,155	\$ 5,750	\$ (595)	(10.3)%
Operating grants and contributions	258,153	226,262	31,891	14.1%
Capital grants and contributions	11,695	21,172	(9,477)	(44.8)%
Total Program Revenues	275,003	253,184	21,819	8.6%
General Revenues:				
Use of money and property	3,893	2,926	967	33.0%
Local government	97,595	92,595	5,000	5.4%
Total General Revenues	101,488	95,521	5,967	6.2%
Total Revenues	376,491	348,705	27,786	8.0%
Expenses:				
Instruction	261,248	256,730	4,518	1.8%
Support Services:				
Administration, Attendance and Health	11,690	11,846	(156)	(1.3)%
Pupil Transportation	10,588	9,988	600	6.0%
Operation and Maintenance	35,398	34,112	1,286	3.8%
Information Technology	9,608	9,222	386	4.2%
School Facilities	27,241	5,107	22,134	433.4%
Food Services	12,837	13,700	(863)	(6.3)%
Debt Services	232	241	(9)	(3.7)%
Total Expenses	368,842	340,946	27,896	8.2%
Change in Net Assets	\$ 7,649	\$ 7,759	\$ (110)	(1.4)%

- **Total revenues** increased \$27.8 million due primarily to increases in Local Government revenues as well as Operating grants and contributions. Local Government revenues increased \$5 million or 5.4% while Operating grants and contributions increased \$31.9 million or 14.1% in 2007.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

- **Total expenses** increased \$27.9 million primarily due to increases in Instruction and School Facilities, totaling \$4.5 million and \$22.1 million, respectively. Most of these increases were for employee raises, health insurance contributions, new materials, supplies, and construction projects. These increases were offset by minor decreases in Administration, Attendance, and Health and Child Nutrition Services of \$156 thousand and \$863 thousand, respectively. Overall expenses increased 8.2% in fiscal year 2007 over balances in fiscal year 2006.

Capital Assets

Section 15.2-1800.1 of the Code of Virginia, as amended, affects the reporting of local School Board capital assets and related debt for financial reporting purposes. Under this legislation, the City has a *tenancy in common* with the School Board whenever the City incurs "on-behalf of" debt for any school property which is payable over more than one year. For financial reporting purposes, the City will report the Net Book Value of School Board property equal to the total outstanding principal balance of applicable "on-behalf of" debt at June 30, 2007. The following reflects capital assets remaining with the School Board.

At June 30, 2007, the School Board had an investment of \$66.1 million in a broad range of capital assets (net of accumulated depreciation), including land, buildings, leasehold improvements, equipment and vehicles. This amount represents a net increase of \$15.6 million or 30.8% between fiscal year 2006 and 2007.

Change in Capital Assets
(Thousands of dollars)

	Governmental Activities			
	June 30, 2007	June 30, 2006	Difference	% Change
Non-Depreciable Assets:				
Land	\$ 488	\$ 488	\$ -	0.0%
Construction in Progress	31,388	12,039	19,349	160.7%
Total Non-Depreciable Assets	\$ 31,876	\$ 12,527	\$ 19,349	
Other Capital Assets:				
Buildings	5,194	5,194	-	0.0%
Leasehold Improvements	41,977	40,948	1,029	2.5%
Equipment and Vehicles	29,458	29,893	(435)	(1.5)%
Total Other Capital Assets	\$ 76,629	\$ 76,035	\$ 594	
Total Capital Assets	\$ 108,505	\$ 88,562	\$ 19,943	
Less: Accumulated Depreciation	(42,441)	(38,065)	(4,376)	11.5%
Total Capital Assets, Net	\$ 66,064	\$ 50,497	\$ 15,567	30.8%

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The \$66.1 million in total capital assets, net of accumulated depreciation is reported in the Statement of Net Assets (Exhibit I) and is the largest single investment by the School Board.

In May 2007, the City Council appropriated construction funds for fiscal year 2008 to continue future construction projects. In addition to City funding, the School Board will use State construction funds to complete construction on Blair Middle School, Coleman Place and Crossroads Elementary Schools in future years.

Additional information on the School Board's capital assets is presented in Note 2B of this report.

Long Term Obligations

As of June 30, 2007, the School Board had \$10.9 million in long-term obligations versus \$7.7 million for fiscal year 2006. This resulted in a 42.7% increase in long-term obligations, which is comprised of compensated absences, workers' compensation and claims liability. Approximately \$1 million in long-term obligations is due within one year (see Exhibit I).

Workers' compensation and claims liability for the School Board are actuarial projections of probable liability based on reasonable estimates of loss. The School Board provides for payment of losses through a combination of purchased policies and self-insurance plans.

Change in Long-Term Debt

(Thousands of dollars)

Governmental Activities						
	June 30, 2006	Additions	Retirements	June 30, 2007	Difference	% Change
Long-Term Debt:						
Compensated Absences	\$ 6,145	\$ 5,619	\$ (2,549)	\$ 9,215	\$ 3,070	50.0%
Workers' Compensation	1,410	681	(479)	1,612	202	14.3%
Claims Liability	100	95	(95)	100	-	-
Total Long-Term Debt	\$ 7,655	\$ 6,395	\$ (3,123)	\$ 10,927	\$ 3,272	42.7%

Additional information showing the breakdown of the School Board's long-term obligations is presented in Note 2E of this report.

OVERVIEW OF FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School Board, like other state and local

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governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All School Board funds are reported in the governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources, as well as on balances of spendable resources* available at the end of the fiscal year for spending in future years. Such information may be useful in evaluating a government's near-term financing requirements.

These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. These statements provide a detailed short-term view of the School Board's operations and the services it provides.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The School Board fund financial statements provide detailed information about the most significant funds – not the School Board as a whole.

The School Board maintains four individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for General, Grants, and Capital Project Funds, which are considered to be major funds. Data from the Child Nutrition Fund, which is considered a nonmajor fund, is shown in a single aggregated presentation.

The School Board adopts an annual appropriated budget for all of its major and nonmajor governmental funds. Budgetary comparison schedules have been provided for the General and Grant Funds to demonstrate compliance with this budget. Individual fund budgetary comparison schedules are presented in Exhibits V and VI of this report.

As of June 30, 2007, the School Board's governmental funds reported combined fund balances of \$28,266,767, a decrease of \$4,645,861, in comparison to the prior fiscal year. Approximately 45% of this total amount (\$12,636,082) constitutes unreserved fund balance, which is available for spending at the School Boards discretion. However, approximately \$2,248,789 or 8% has been designated for specific purposes within certain governmental funds though the budget process. The remaining combined fund balances total is reserved to indicate that it is not available for new spending, due to being committed to liquidate outstanding contracts and purchase orders (encumbrances) of the prior fiscal year (\$13,661,365), and to account for inventories (\$1,117,658), and grant projects (\$851,662).

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The basic Governmental Fund financial statements are presented in Exhibits III and IV of this report.

General Fund

The General Fund is the general operating fund of the School Board that is used to account for all of the financial resources, except those required to be accounted for in another fund. At June 30, 2007, the fund balance of the General Fund was \$18,309,837. The entire fund is reserved for encumbrances, inventories, designated, and undesignated items.

General Fund Revenues

Revenues for the General fund totaled \$310,698,827 for fiscal year 2007, which was approximately \$23 million or 8% higher than the revenues received in fiscal year 2006. The following illustration present the amounts of revenues from the General Fund sources, the relationship of each to the total, and the increase or decrease from the previous fiscal year for each revenue source.

General Fund Revenues by Source

(Thousands of Dollars)

	2007 Amount	2007		Increase (Decrease) From 2006	Percent Increase (Decrease) 2006
		2007 Percent of Total	2006 Amount		
Local government	\$ 97,595	31.4%	\$ 92,595	\$ 5,000	5.4%
Commonwealth of Virginia	200,128	64.4%	183,951	16,177	8.8%
Federal government	7,440	2.5%	5,783	1,657	28.7%
Other revenues	5,536	1.8%	5,335	201	3.8%
Total	\$ 310,699	100.0%	\$287,664	\$ 23,035	8.0%

The largest source of revenues (other than the Local Government) was from the Commonwealth of Virginia. This source includes funding for basic school aid, reimbursement of a portion of teachers' fringe benefits, salary support, remedial and vocational education, class size and at-risk initiatives, gifted and talented, special education, special educational regional programs and other purposes.

General Fund Expenditures and Other Financing Uses

General Fund expenditures and other financing uses was \$381,136,457 for fiscal year 2007, which represented an increase of approximately \$23.8 million or 6.6% over fiscal year 2006. The following illustration presents the amounts in of General Fund expenditures and other

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financing uses by function, the relationship of each to the total, and the increase or decrease from the previous fiscal year for each function.

General Fund Expenditures and Other Financing Uses

(Thousands of Dollars)

	2007 Amount	2007 Percent Of Total	2006 Amount	Increase (Decrease) From 2006	Percent Increase (Decrease) 2006
Instruction	\$ 238,601	78%	\$ 224,022	\$ 14,579	6.5%
Support Services:					
Administration, Attendance and Health	11,729	3.8%	11,037	692	6.3%
Pupil Transportation	10,403	3.4%	10,390	13	0.1%
Operation and Maintenance	33,527	11.0%	32,157	1,370	4.3%
Information Technology	8,186	2.7%	8,107	79	1.0%
School Facilities	3,276	1.1%	2,861	415	14.5%
Debt Services	232	0.1%	241	(9)	-3.7%
Subtotal - Support Services	67,353	22.0%	64,793	2,560	4.0%
Total - Instruction and Support Services	305,954	100.0%	288,815	17,139	5.9%
Other financing uses		0.0%	(10,054)	10,054	(100.0)%
Total	\$ 305,954	100.0%	\$ 278,761	\$ 27,193	9.8%

The increase Instruction was due to the an overall increase in salaries for teacher retention, materials and supplies, and other items needed for instructional support between fiscal years 2006 and 2007.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School Board. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the School Board's programs.

The School Board's Fiduciary funds consist of Trust Funds and School Activity Funds. Trust Funds consist primarily of fiscal agencies for Governors School for the Arts and Southeastern Cooperative Educational Programs. The School Activity Funds consist primarily of student clubs and restricted donations for the individual schools.

The School Board's Fiduciary Funds are Agency Funds. Agency Funds are used to account for the assets held by the School Board as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency Funds do not involve the measurement of results of operations, as they are custodial in nature (*assets equal liabilities*).

The Statement of Fiduciary Assets and Liabilities is presented in Exhibit VII of this report.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements follow the statements in the report and complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

The Notes to the Basic Financial Statements begin after Exhibit VII of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School Board's progress in funding the retirement benefits for its nonprofessional employees through the Virginia Retirement System (VRS).

Required supplementary information on these retirement benefits is presented in the footnotes under Note 6 D of this report.

BUDGETARY HIGHLIGHTS

Annual budgets are prepared on a basis consistent with Virginia statutes for the General Fund, Grant Fund, Capital Projects Fund and Child Nutrition Fund. All annual unencumbered appropriations lapse at the fiscal year end. In June 2007, the School Board adopted a balanced budget for fiscal year 2008 that reflected appropriations of \$316.7 million for the General Fund.

The budget for 2007 increased approximately \$1 million due to additional funding from the City of Norfolk. Budgetary transfers were \$1.6 million between functional areas. The transfers were made to increase instructional support within the district.

Factors Influencing Future Budgets

- Increased employer contributions for employee health insurance
- Funding post-employment benefits for retirees
- Provide competitive salaries and pay increases for retention of teachers
- Professional growth and development of teachers
- Funding of No Child Left Behind legislation
- Inadequate state and federal funding
- Continue to fund and strengthen the effort for full Standards of Learning accreditation
- Continue to fund various academic programs
- Decrease in the local tax base
- Declining enrollment
- Uncertainty of sales tax revenue
- Uncertainty of federal impact aid revenue

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the School Board's finances and to demonstrate compliance and accountability for its resources. Questions about any information provided in this report or requests for additional financial information should be addressed to Frederick J. Schmitt, Chief Financial Officer or Vizel L. Townsend, Senior Director of Accounting for the School Board for the City of Norfolk, 800 E. City Hall Avenue, Norfolk, VA 23501-1357, telephone (757) 628-3482 and (757) 628-3883, respectively. Visit our website at: <http://www.nps.k12.va.us> for a complete copy of this report and other financial information.

Exhibit I

**School Board for the City of Norfolk
Statement of Net Assets
June 30, 2007**

ASSETS

Current Assets:

Cash, cash equivalents, and investments	\$ 25,212,270
Accounts receivable	342,720
Due from primary government	11,085,724
Due from the federal government	10,462,671
Due from the Commonwealth of Virginia	20,073,839
Due from other agencies	836,930
Inventories	1,117,658
Total Current Assets	<u>69,131,812</u>

Noncurrent Assets:

Capital Assets (Note 2):	
Land	487,500
Construction in Progress	31,388,331
Buildings, Improvements, Equipment and Vehicles, net of accumulated depreciation	<u>34,188,471</u>
Total Noncurrent Assets	<u>66,064,302</u>
Total assets	<u>135,196,114</u>

LIABILITIES

Vouchers payable	9,000,476
Retainage payable	1,116,454
Payroll deductions and withholdings	3,358,252
Accrued payroll	24,078,592
Due to other agencies	2,726,464
Other payable	584,807
Noncurrent liabilities:	
Due within one year	1,008,787
Due in more than one year	9,918,557
Total liabilities	<u>51,792,389</u>

NET ASSETS

Invested in capital assets, net of related debt	66,064,302
Restricted for:	
Capital Projects	2,123,601
Grants	869,233
Unrestricted	14,346,589
Total net assets	<u>\$ 83,403,725</u>

See Notes to the Basic Financial Statements.

School Board for the City of Norfolk
Statement of Activities

For the Year Ended June 30, 2007

**Net (Expense)
Revenue and
Changes in
Net Assets**

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:					
Governmental Activities:					
Instruction	\$ 261,248,259	\$ 1,906,306	\$ 247,424,183	\$ -	\$ (11,917,770)
Administration, Attendance, and Health	11,690,271	-	-	-	(11,690,271)
Pupil Transportation	10,587,980	-	-	-	(10,587,980)
Operation and Maintenance	35,397,686	-	-	-	(35,397,686)
Information Technology	9,607,558	-	-	-	(9,607,558)
School Facilities	27,241,017	-	-	11,695,171	(15,545,846)
Food Services	12,836,617	3,248,279	10,728,589	-	1,140,251
Debt Service:					
Principal	156,900	-	-	-	(156,900)
Interest	75,500	-	-	-	(75,500)
Total	<u>\$ 368,841,788</u>	<u>\$ 5,154,585</u>	<u>\$ 258,152,772</u>	<u>\$ 11,695,171</u>	<u>(93,839,260)</u>
General revenues:					
Use of money and property					3,839,598
Other					53,560
Intergovernmental:					
Local government - Unrestricted					97,594,910
Total					<u>101,488,068</u>
Change in net assets					7,648,808
Net assets--beginning					75,754,917
Net assets--ending					<u>\$ 83,403,725</u>

See Notes to the Basic Financial Statements.

Exhibit III

School Board for the City of Norfolk
Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Grants	Capital Projects	Nonmajor Fund	Total
				Child Nutrition	Governmental Funds
ASSETS					
Cash, cash equivalents, and investments	\$ 21,049,788	\$ -	\$ -	\$ 4,162,482	\$ 25,212,270
Accounts Receivables	289,120	-	-	53,600	342,720
Due from other funds	14,589,544	-	-	103,617	14,693,161
Due from the primary government	-	-	11,085,724	-	11,085,724
Due from the federal government	117,247	8,738,238	-	1,607,186	10,462,671
Due from the Commonwealth of Virginia	17,375,745	2,647,690	50,404	-	20,073,839
Due from other agencies	836,930	-	-	-	836,930
Inventories	242,901	-	-	874,757	1,117,658
Total assets	<u>\$ 54,501,275</u>	<u>\$ 11,385,928</u>	<u>\$ 11,136,128</u>	<u>\$ 6,801,642</u>	<u>\$ 83,824,973</u>
LIABILITIES					
Vouchers payable	\$ 7,455,706	\$ 631,913	\$ 879,784	\$ 33,073	\$ 9,000,476
Retainage payable	401,569	-	714,885	-	1,116,454
Payroll deductions and withholdings	3,358,252	-	-	-	3,358,252
Accrued payroll	21,561,023	2,109,837	-	407,732	24,078,592
Due to other agencies	2,726,464	-	-	-	2,726,464
Due to other funds	103,617	7,171,686	7,417,858	-	14,693,161
Other payable	584,807	-	-	-	584,807
Total liabilities	<u>36,191,438</u>	<u>9,913,436</u>	<u>9,012,527</u>	<u>440,805</u>	<u>55,558,206</u>
FUND BALANCES					
Reserved for:					
Encumbrances	12,029,779	620,830	640,701	370,055	13,661,365
Inventories	242,901	-	-	874,757	1,117,658
Projects	-	851,662	-	-	851,662
Unreserved, reported in:					
Designated:					
General Fund	2,248,789	-	-	-	2,248,789
Undesignated:					
General Fund	3,788,368	-	-	-	3,788,368
Capital Projects Fund	-	-	1,482,900	-	1,482,900
Child Nutrition Fund	-	-	-	5,116,025	5,116,025
Total fund balances	<u>18,309,837</u>	<u>1,472,492</u>	<u>2,123,601</u>	<u>6,360,837</u>	<u>28,266,767</u>
Total liabilities and fund balances	<u>\$ 54,501,275</u>	<u>\$ 11,385,928</u>	<u>\$ 11,136,128</u>	<u>\$ 6,801,642</u>	<u>\$ 83,824,973</u>

See Notes to the Basic Financial Statements.

(Continued)

**Exhibit III,
Continued**

**School Board for the City of Norfolk
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007**

Fund balances--total governmental funds	\$ 28,266,767
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds .	66,064,302
Long-term obligations, are not due and payable in the current period and therefore are not reported in the funds.	(10,927,344)
Net Assets of Governmental Activities	<u>\$ 83,403,725</u>

See Notes to the Basic Financial Statements.

Exhibit IV

**School Board for the City of Norfolk
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2007**

	General Fund	Grants	Capital Projects	Nonmajor Fund Child Nutrition	Total Governmental Funds
REVENUES					
Use of money and property	\$ 3,630,059	\$ -	\$ -	\$ 209,539	\$ 3,839,598
Charges for services	1,906,306	-	-	3,248,279	5,154,585
Other	-	151,676	4,596	53,560	209,832
Intergovernmental:					
Local government	97,594,910	-	11,085,724	-	108,680,634
Commonwealth of Virginia	200,127,838	5,184,201	604,851	252,875	206,169,765
Federal government	7,439,714	34,520,754	-	10,475,714	52,436,182
Total revenues	<u>310,698,827</u>	<u>39,856,631</u>	<u>11,695,171</u>	<u>14,239,967</u>	<u>376,490,596</u>
EXPENDITURES					
Instruction	238,601,340	39,670,539	-	-	278,271,879
Administration, Attendance, and Health	11,729,002	106,568	-	-	11,835,570
Pupil Transportation	10,403,102	13,055	-	-	10,416,157
Operation and Maintenance	33,527,260	109,332	9,965	1,298	33,647,855
Information Technology	8,186,022	867,775	381,053	-	9,434,850
School Facilities	3,274,642	-	20,337,588	-	23,612,230
Food Services	-	46,367	-	13,639,149	13,685,516
Debt service:					
Principal	156,900	-	-	-	156,900
Interest and other charges	75,500	-	-	-	75,500
Total expenditures	<u>305,953,768</u>	<u>40,813,636</u>	<u>20,728,606</u>	<u>13,640,447</u>	<u>381,136,457</u>
Net change in fund balance	4,745,059	(957,005)	(9,033,435)	599,520	(4,645,861)
Fund balances--beginning	<u>13,564,778</u>	<u>2,429,497</u>	<u>11,157,036</u>	<u>5,761,317</u>	<u>32,912,628</u>
Fund balances--ending	<u>\$ 18,309,837</u>	<u>\$ 1,472,492</u>	<u>\$ 2,123,601</u>	<u>\$ 6,360,837</u>	<u>\$ 28,266,767</u>

See Notes to the Basic Financial Statements.

(Continued)

**Exhibit IV,
Continued**

**School Board for the City of Norfolk
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For Year Ended June 30, 2007**

Net change in fund balances--total governmental funds	\$ (4,645,861)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Add capital acquisitions	27,235,078
Subtract depreciation expense & loss on disposal of capital assets	<u>(11,668,136)</u> 15,566,942
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (such as compensated absences).	
Change in Net Assets of Governmental Activities	<u>(3,272,273)</u> \$ 7,648,808

See Notes to the Basic Financial Statements.

School Board for the City of Norfolk
Budgetary Comparison - General Fund - Budgetary Basis
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable/(Unfavorable)
	Original	Final		
Budgetary fund balance, July 1				
Resources (inflows)				
Local sources	\$ 4,076,558	\$ 4,081,058	\$ 4,431,127	\$ 350,069
Commonwealth of Virginia	199,700,732	199,700,732	200,305,773	605,041
Federal government	8,342,000	8,342,000	7,355,094	(986,906)
Local government	96,594,910	97,594,910	97,594,910	-
Amounts available for appropriation	<u>308,714,200</u>	<u>309,718,700</u>	<u>309,686,904</u>	<u>(31,796)</u>
Charges to appropriations (outflows)				
Instruction	237,627,061	238,631,561	239,338,633	(707,072)
Administration, Attendance, and Health	14,966,825	14,966,825	11,668,672	3,298,153
Pupil Transportation	11,832,826	11,832,826	10,113,117	1,719,709
Operation and Maintenance	32,300,339	32,300,339	31,831,635	468,704
Information Technology	2,917,282	2,917,282	2,335,482	581,800
School Facilities	9,069,867	9,069,867	8,339,849	730,018
Total charges to appropriations	<u>308,714,200</u>	<u>309,718,700</u>	<u>303,627,388</u>	<u>6,091,312</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,059,516</u>	<u>\$ 6,059,516</u>

Reconciliation of Budgetary Inflows and Outflows with Revenues and Expenditures in Exhibit IV:

Sources/Inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule, above

\$ 309,686,904

Difference - budget to GAAP:

Increase in revenue accruals from local revenue sources	1,105,238
Decrease in revenue accruals from state revenue sources	(177,935)
Increase in revenue accruals from federal revenue sources	84,620

Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)

\$ 310,698,827

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule, above

\$ 303,627,388

Difference - budget to GAAP:

Supplies and equipment ordered and expensed in the year received for financial reporting purposes.	2,326,380
Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)	\$ 305,953,768

See Notes to the Basic Financial Statements.

**School Board for the City of Norfolk
Budgetary Comparison - Grants Fund - Budgetary Basis
For the Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable/(Unfavorable)
	Original	Final		
Budgetary fund balance, July 1				
Resources (inflows)				
Commonwealth of Virginia	\$ 3,917,354	\$ 7,344,744	\$ 4,752,275	\$ (2,592,469)
Federal government	31,058,765	69,734,077	32,723,869	(37,010,208)
Local government	471,481	702,894	151,676	(551,218)
Amounts available for appropriation	<u>35,447,600</u>	<u>77,781,715</u>	<u>37,627,820</u>	<u>(40,153,895)</u>
Charges to appropriations (outflows)				
Instruction	32,784,646	73,779,813	39,177,268	34,602,545
Administration, Attendance, and Health	289,600	148,700	106,411	42,289
Pupil Transportation	326,599	326,599	13,055	313,544
Operation and Maintenance	174,902	207,174	92,628	114,546
Information Technology	1,871,853	3,319,429	401,011	2,918,418
Food Services			46,367	(46,367)
Total charges to appropriations	<u>35,447,600</u>	<u>77,781,715</u>	<u>39,836,740</u>	<u>37,944,975</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,208,920)</u>	<u>\$ (2,208,920)</u>
Reconciliation of Budgetary Inflows and Outflows with Revenues and Expenditures in Exhibit IV:				
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule, above			\$ 37,627,820	
Difference - budget to GAAP:				
Increase in revenue accruals from state revenue sources			431,926	
Increase in revenue accruals from federal revenue sources			<u>1,796,885</u>	
Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)			<u>\$ 39,856,631</u>	
Uses/Outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule, above			\$ 39,836,740	
Difference - budget to GAAP:				
Supplies and equipment ordered and expensed in the year received for financial reporting purposes.			976,896	
Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)			<u>\$ 40,813,636</u>	

See Notes to the Basic Financial Statements.

Exhibit VII

**School Board for the City of Norfolk
Statement of Fiduciary Net Assets
June 30, 2007**

ASSETS

Cash, cash equivalents, and investments
Accounts Receivable

Total assets

Agency Fund

\$	7,476,182
	<u>679,964</u>
\$	<u>8,156,146</u>

LIABILITIES

Due to other agencies
Accounts Payable

Total liabilities

\$	8,145,078
	<u>11,068</u>
\$	<u>8,156,146</u>

See Notes to the Basic Financial Statements.

**SCHOOL BOARD FOR THE CITY OF NORFOLK
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)
YEAR ENDED JUNE 30, 2007**

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The appointed seven-member School Board for the City of Norfolk, Virginia (School Board), vested with legislative powers, appoints the Superintendent. The Superintendent is the executive and administrative head of the public school division.

The accounting policies of the School Board have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The School Board is responsible for elementary and secondary education within the City of Norfolk. The School Board members are appointed and serve staggered terms on the School Board. The City Council approves the School Board's operating budget, levies taxes to finance operations, and approves the borrowing of money and the issuance of bonds when necessary. The School Board receives local, state, and federal government funding and must adhere to the legal requirements of each funding entity.

The School Board is considered a component unit of the City of Norfolk, Virginia (City) due to its fiscal dependence on the primary government. Therefore, the School Board's financial position and results of operations are presented in the City's Comprehensive Annual Financial Report (CAFR). The School Board does not have any component units for financial reporting purposes.

B. Government-wide and Fund Financial Statements

The basic financial statements and required supplementary information include both the government-wide (presentation of the School Board as a whole) financial statements (i.e. Statement of Net Assets and Statement of Activities) and fund financial statements. While the previous reporting model emphasized fund types (i.e. the total of all funds of a particular fund type), the new reporting model emphasizes either the School Board as a whole or a major individual fund within the basic financial statements and required supplementary information.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of an activity are offset by program revenues. Direct expenses are those that are clearly identified to a specific activity. Program revenues are those that are directly associated with a specific activity (e.g. Instruction and Food Services). Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given activity and 2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular activity. Taxes and other items not properly included among program revenues are reported as general

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NOTES TO THE BASIC FINANCIAL STATEMENTS

revenues. The School Board does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operational or capital) grants while the capital grants column reflects capital-specific grants.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a full accrual basis and the economic resources measurement focus. This basis incorporates long-term assets and receivables and long-term obligations.

Fund financial statements are provided for governmental, proprietary (i.e., internal service), and fiduciary funds. The School Board does not have proprietary funds. The School Board's fiduciary fund is presented in the fund financial statements by type (agency). Since the definition of these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the governmental agency, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the School Board in fiscal year 2007.

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School Board and is used to account for all financial resources except for those accounted for in another fund. Revenues are derived primarily from federal (including impact aid and grants), state (including basic aid, grants, and sales tax), City of Norfolk, and local funds. The General Fund is always considered a major fund for government-wide reporting purposes.

Grants Fund – The Grants Fund is used to account for proceeds of specific revenue sources (other than major capital projects) that are restricted by legal and regulatory provisions that finance expenditures for specified purposes. Grants are funded by private, state, and federal agencies. The Grants Fund is considered a major fund for government-wide reporting purposes.

Capital Projects Fund - The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities. The Capital Projects Fund is considered a major fund for government-wide reporting purposes.

Child Nutrition Fund – The Child Nutrition Fund is used to account for proceeds of specific revenue sources that are restricted by legal and regulatory provisions that finance expenditures for food services. Child Nutrition is funded by state and federal agencies. The Child Nutrition Fund is considered a non-major fund for government-wide reporting purposes.

FIDUCIARY FUND

Agency Funds – Agency Funds are used to account for assets held by the School Board as an agent for individuals, private organizations, and other governmental units. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results

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NOTES TO THE BASIC FINANCIAL STATEMENTS

of operations. The Agency Funds of the School Board are funds held for School Activity Funds and fiscal agencies (Governors School for the Arts and Southeastern Cooperative Educational Programs).

C. Basis of Accounting and Measurement Focus

The government-wide Statement of Net Assets and Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The effects of inter-fund activity have been eliminated from the government-wide financial statements.

The accounting and financial reporting treatment related to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet for governmental funds. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All governmental fund types use the modified accrual basis of accounting and the full accrual basis of accounting is used by the agency fund. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the most part, revenues are considered available, if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, if measurable.

The following is a list of major revenue sources, which meet the "susceptible to accrual" criteria: (1) Commonwealth of Virginia, (2) Federal Government, (3) Local Government, and (4) Interest on Deposits.

D. Budgets and Budgetary Accounting

The Superintendent is required by Section 22.1-92 of the Code of Virginia, as amended, to prepare, with the approval of the School Board, and submit to the City Council "the estimate of the amount of money deemed to be needed during the next fiscal year for the support of the public school division". Before the School Board gives final approval to its general operating, grants, child nutrition, and capital projects budgets, the School Board is required to hold at least one public hearing.

**SCHOOL BOARD FOR THE CITY OF NORFOLK
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)
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NOTES TO THE BASIC FINANCIAL STATEMENTS

The City Manager is required by the City Charter to present a proposed operating budget, which includes the School Board's operating budget, at least 60 days before the beginning of each fiscal year that begins July 1. The proposed operating budget must be balanced with projected expenditures equal to estimated revenues and/or the required financing from the proper undesignated fund balances. The necessary budget ordinances are also submitted at this time. The City Council is required by the City Charter to hold a public hearing on the budget at which time all interested persons are given an opportunity to comment.

Annual budgets are legally adopted for the General, Grants, Child Nutrition, and Capital Projects Funds. The budgets for these funds are adopted on a budgetary basis consistent with the Virginia State Code. The legal level of budgetary control for the General Fund is at the category (i.e. Instruction; Administration, Attendance and Health; Pupil Transportation; Operations and Maintenance; Information Technology; School Plant and Food Services) level; while Grants and Capital Projects are at the fund level. These categories or funds cannot legally be exceeded.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the prescribed Virginia State Code basis of accounting. In addition, certain controls are exercised administratively on all funds.

Accordingly, the Budgetary Comparison Schedules present actual expenditures in accordance with the legally adopted budgets as amended. In Exhibits V and VI the change from budgetary to GAAP in revenues over expenditures is \$1,314,457 higher in the General Fund and \$1,251,915 lower in the Grants Fund as compared to Exhibit IV. Due to the difference in the basis of accounting for budgetary and fund accounting purposes, Exhibits V and VI provide reconciliations between the budgetary basis and fund financial accounting (modified accrual) basis (Exhibit IV).

Unexpended appropriations on the annual budgets lapse at the end of each fiscal year. The School Board can request the City to re-appropriate funds in the subsequent fiscal year.

E. Assets, Liabilities and Fund Equity

DEPOSITS AND INVESTMENTS

The City maintains a single cash and investment pool for use by the City and some of their component units including local funds for the School Board. The School Board also maintains separate accounts for the Operating, Payroll, and School Activity Funds. Cash and pooled investments represent the majority of the School Board's cash.

Investments are carried at fair value based on quoted market price. In order to maximize investment returns, these funds are maintained in a fully insured and collateralized investment pool administered by the City. The City allocates investment earnings, less an

**SCHOOL BOARD FOR THE CITY OF NORFOLK
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NOTES TO THE BASIC FINANCIAL STATEMENTS

administrative charge, to the School Board monthly based on the School Board's average daily balance in cash investments.

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with original maturities of less than three months, including pooled investments and restricted assets, to be cash equivalents.

Deposits: At June 30, all of the City's and School Board deposits are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act ("Act"), Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the Commonwealth Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of the governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similar to depository insurance. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The Commonwealth Treasury Board is responsible for monitoring compliance with collateralization and reporting requirements of the Act.

Cash in the student activity funds represent available cash in local school accounts, all of which are fully insured and collateralized. Bank balances, including checking and saving accounts and certificates of deposit, are placed with banks and savings and loan institutions which are protected by FDIC laws or collateral held under the provisions of the Act.

All funds deposited in accordance with the requirements of the Act are considered fully secured and are not subject to custodial credit risk.

Restricted assets are those whose use is subject to externally imposed constraints such as creditors through debt covenants, grantors or laws or regulations of other governments.

Investments: Virginia State statutes authorize the City and the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Developments ("World Bank") and Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes rated A-1 by Standards and Poor's, Inc. and P-1 by Moody's Commercial Paper Record, Inc., bankers' acceptances, repurchase agreements, money market mutual funds, the State Treasurer's Local Government Investment Pool ("LGIP") and State Non-Arbitrage Program (SNAP). The investments contained in the pool of investments are subject to investment rate and custodial credit risk.

The City's cash and cash equivalents include cash on hand, demand deposits, and short term investments with original maturities with three months or less from date of acquisition. While the City normally plans to hold investments to maturity, it may sell securities before their maturity. For additional information please refer to the City's CAFR. Copies of the

**SCHOOL BOARD FOR THE CITY OF NORFOLK
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NOTES TO THE BASIC FINANCIAL STATEMENTS

City's CAFR may be obtained by writing the Department of Finance and Business Services at 800 Union Street, Suite 600, Norfolk, Virginia 23510 or by download from their website at <http://www.norfolk.gov/FBS/>.

RECEIVABLES AND PAYABLES

All inter-fund receivables and payables are displayed in the fund statements as "Due to/Due From Other Funds." These amounts offset each other and are eliminated from the Government-Wide Statement of Net Assets, so as to not overstate the assets and liabilities. All trade receivables are reported net of an allowance for uncollectibles.

INVENTORIES

Governmental fund inventories consist of expendable materials and supplies that are recorded as expenditures when consumed. The General Fund inventories reported on the combined balance sheet for governmental funds are offset by fund balance reserves that indicate that they do not constitute resources available for appropriation even though they are a component of net current assets. The weighted average method is used to record inventories.

The Child Nutrition Fund's inventory includes United States Department of Agriculture ("USDA") commodities under the Donated Commodity Program (operated as an adjunct to the National School Lunch Program). The program provides free agricultural products for use in the preparation of school lunches. The contributions are recorded in the financial statements as revenue upon receipt and expenditures at the time of consumption of the products based on the estimated wholesale market value (provided by USDA). The value of these commodities was \$226,093 at year-end. Other inventories are reported at the average cost method.

CAPITAL ASSETS

Capital outlays are recorded as expenditures in governmental funds and as assets in the government-wide financial statements to the extent of the School Board's capitalization threshold of \$5,000. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings	20 years
Leasehold Improvements	10 years
Equipment	7 years
Vehicles	7 years

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

**SCHOOL BOARD FOR THE CITY OF NORFOLK
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NOTES TO THE BASIC FINANCIAL STATEMENTS

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful life are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any relating gain or loss is included in the results of operations.

COMPENSATED ABSENCES

The School Board accrues compensated absences (annual and sick leave benefits) when vested. The current and non-current portions are recorded in the School Board government-wide financial statements. The School Board has vacation and sick leave that accumulates monthly. Vacation leave is fully vested when earned by School Board employees. Accumulated vacation leave cannot exceed 50 days for School Board employees. School Board employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. Employees may accumulate an unlimited number of sick leave days; however, the School Board makes no payment on the unused portion upon employment termination. Employees are paid \$20 for each day of accumulated sick leave upon retirement. Most School Board employees have ten-month employment contracts and are not entitled to vacation.

The estimated amount of the accrued compensated leave for the School Board's government activities are reported in the government-wide financial statements. The information is reported in Note 2E.

NET ASSETS/FUND BALANCES

Net assets in government-wide financial statements are classified as invested in capital assets, net of related obligations; restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through state statute.

In the governmental fund financials, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenue arising from cash receipts as those amounts stand at the close of the fiscal year proceeding the budget year. The governmental fund types classify fund balances as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS

RESERVED AND UNRESERVED

Reserve for encumbrances – Portion of fund balance available for appropriation to pay for commitments related to unperformed contracts and unfulfilled purchase orders.

Reserve for inventories – Portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserve for projects – Portion of fund balance not available for appropriation because it represents the funds allocated for specific projects.

Designated for future expenditures – Portion of total fund balance available for appropriation that has been designated by the School Board for the adopted 2007 – 2008 budget ordinance.

Undesignated – Uncommitted portion of total fund balance available for appropriation.

F. Encumbrances

Encumbrance accounting, in which purchase orders, contracts, and other commitments for the expenditure of monies are recorded (reduces the available appropriation), is followed in the General, Grants, Capital Projects, and Child Nutrition Funds. Encumbrances outstanding do not constitute expenditures until expended or accrued as liabilities except in statements presented on the budgetary basis. Fund balances have been reserved equal to the outstanding encumbrances at June 30 in the governmental funds.

Note 2. Detail Notes on All Funds

A. Inter-fund Receivables and Payables

The composition of inter-fund receivables and payable balances as of June 30, 2007:

	Due to (Payables)	Due From (Receivables)
Major Funds:		
General Fund	\$ 14,589,544	\$ 103,617
Grants Fund	-	7,171,686
Capital Projects	-	7,417,858
Non-major Funds:		
Child Nutrition Fund	103,617	
	<hr/>	<hr/>
	\$ 14,693,161	\$ 14,693,161

Explanation:

Per the City of Norfolk Charter and the Virginia State Code all deposits must be deposited into the General Fund as public deposits for the School Boards. Due to/from accounts are created as a result.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 2. Detail Notes on All Funds (continued)

B. Capital Assets (continued)

School buildings are the property of the City of Norfolk and are carried on their financial statements for reporting purposes. Under Section 15.2-1800.1 of the Virginia State Code, the City has a "tenancy in common" with the School Board. The buildings denoted below pertain to mobile units that are used at schools as additional classrooms.

CHANGES IN CAPITAL ASSETS

	Capital Assets July 1, 2006	Additions	Deletions	Capital Assets June 30, 2007
Capital assets, not being depreciated				
Land	\$ 487,500	\$ -	\$ -	\$ 487,500
Construction in Progress	12,039,305	24,517,223	(5,168,197)	31,388,331
Total capital assets, not being depreciated	12,526,805	24,517,223	(5,168,197)	31,875,831
Capital assets, being depreciated				
Buildings	5,194,094	-	-	5,194,094
Leasehold improvements	40,948,225	1,028,811	-	41,977,036
Equipment and vehicles	29,892,694	1,689,044	(2,123,955)	29,457,783
Total capital assets, being depreciated	76,035,013	2,717,855	(2,123,955)	76,628,913
Less accumulated depreciation for:				
Building	(1,544,875)	(259,705)	-	(1,804,580)
Leasehold improvements	(17,582,330)	(4,035,589)	580,320	(21,037,599)
Equipment and vehicles	(18,937,253)	(2,041,816)	1,380,806	(19,598,263)
Total accumulated depreciation	(38,064,458)	(6,337,110)	1,961,126	(42,440,442)
Total capital assets being depreciated, net	37,970,555	(3,619,255)	(162,829)	34,188,471
Total capital assets, net	\$ 50,497,360	\$ 20,897,968	\$ (5,331,026)	\$ 66,064,302
Depreciation:				
Instruction	\$ 570,269			
Administration, Attendance, and Health	351,971			
Pupil Transportation	427,832			
Operation and Maintenance	3,628,561			
Information Technology	486,053			
School Facilities	721,577			
Food Services	150,847			
Total	<u>\$ 6,337,110</u>			

**SCHOOL BOARD FOR THE CITY OF NORFOLK
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NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 2. Detail Notes on All Funds (continued)

C. Due From Other Governments

At June 30, 2007, due from other governments consisted of the following:

	General	Grants	Capital Projects	Child Nutrition	Totals
Due from the Commonwealth of Virginia	\$ 17,375,745	\$ 2,647,690	\$ 50,404	\$ -	\$ 20,073,839
Due from the federal government	117,247	8,738,238	-	1,607,186	10,462,671
Total Due from Other Governments	<u>\$ 17,492,992</u>	<u>\$ 11,385,928</u>	<u>\$ 50,404</u>	<u>\$ 1,607,186</u>	<u>\$ 30,536,510</u>

D. Long-Term Obligations

The following is a summary of the changes in long-term obligations for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Long-Term Debt:				
Compensated absences	\$6,144,563	\$5,619,532	\$(2,549,336)	\$9,214,759
Workers' compensation	1,410,508	681,369	(479,292)	1,612,585
Claims liability	100,000	94,911	(94,911)	100,000
Total Long-Term Debt	<u>\$7,655,071</u>	<u>\$6,395,812</u>	<u>\$(3,123,539)</u>	<u>\$10,927,344</u>

The amounts due within one year for compensated absences, workers' compensation and claims liability as of June 30, 2007 are \$603,259, \$355,528, and \$50,000, respectively.

Note 3. Contingencies

A. Litigation

The School Board, as of June 30, 2007, is a named defendant in various lawsuits. The School Board is vigorously defending all cases, and expects no losses will be incurred which would have a material effect on the School Board's financial position.

B. Intergovernmental Grants

The School Board has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being

**SCHOOL BOARD FOR THE CITY OF NORFOLK
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NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 3. Contingencies (continued)

appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds would be immaterial. No provision has been made in the accompanying basic financial statements for the refund of grant monies.

Note 4. Joint Ventures

A. Southeastern Cooperative Educational Programs

The Southeastern Cooperative Educational Programs ("SECEP") is a public body established in accordance with the Code of Virginia, and provides for the establishment and operation of jointly owned schools of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. The organization provides a formal structure through which the eight participating school systems can plan and operate programs for children with special needs. A Regional School Board comprised of one School Board member for each division governs SECEP. Complete financial statements of SECEP can be obtained from SECEP, 6160 Kempsville Circle, Suite 300, Norfolk, VA 23502. The School Board paid tuition of \$5,441,675 to SECEP during the fiscal year ended June 30, 2007.

B. The Governor's School for the Arts

The Governor's School for the Arts (Governor's School) is a regional secondary arts school sponsored by the Virginia Department of Education and the public school divisions of Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth, Southampton, Suffolk, and Virginia Beach. A Regional School Board is comprised of one School Board member from each division that governs it. Students attend regular high school part of the day and the Governor's School for three hours every afternoon of the week. The purpose of the School is to provide individualized, focused, instructional programs in the arts for students who have innate talent and potential for growth, along with a high degree of commitment to develop their talent. Complete financial statements of the Governor's School can be obtained from the Governor's School for the Arts, Old Dominion University, 5MG04, Norfolk, VA 23529-0556. The School Board paid tuition of \$157,110 to the Governor's School during the fiscal year ended June 30, 2007.

Note 5. Self-Insurance Program

The School Board is self-insured for a portion of its risks. This self-insurance is for workers' compensation and claims liability. Commercial insurance is purchased to cover self-insured levels for specific losses exceeding certain limits. The program provides for the payments of claims liabilities, property losses, and related expenses covered by a combination of purchased policies and self-insurance plans. The total of insurance

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NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 5. Self-Insurance Program (continued)

premiums, self-insurance claims, and related expense payments made during fiscal year 2007 was \$1,464,567.

The School Board currently reports all of these activities as insurance costs in the operations and maintenance of the General Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2007, workers' compensation and claims liability totaling \$1,712,585 is reported as long-term liabilities. Liabilities for incurred losses are reported at their present value, using the expected future investment yield assumption of 5.0%. These liabilities are the School Board's best estimate based on currently available information.

The following is a summary of the changes in the self-insurance program for the years ended June 30, 2007 and 2006:

	June 30, 2007		June 30, 2006	
	Workers Compensation	Claims Liability	Workers Compensation	Claims Liability
Balance, beginning of year	\$ 1,410,508	\$ 100,000	\$ 1,294,072	\$ 100,000
Claims and other changes	681,369	94,911	845,911	53,622
Employer payments	(479,292)	(94,911)	(729,475)	(53,622)
Balance, end of year	\$ 1,612,585	\$ 100,000	\$ 1,410,508	\$ 100,000

Note 6. Retirement and Post-Employment Benefits

Virginia Retirement System

A. Plan Description

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both multiple-employer and a cost-sharing multiple-employer defined benefit pension plan for the School Board. All full-time, salaried permanent employees of the School Board must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at 50 with 30 years of service for participating employers payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 6. Retirement and Post-Employment Benefits (continued)

The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provision to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. The report may be downloaded from their website at <http://www.varetire.org/Pdf/2006AnnuRept.pdf> or obtained by writing the System at P. O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of there annual reported compensation to the VRS. The School Board has assumed the 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's professional and nonprofessional employees' contribution rates for the fiscal year ended June 30, 2007 was 10.82% and 9.75% of annual covered payroll, respectively. The School Board's contributions to the VRS for the years ended June 30, 2007, 2006, and 2005 were \$32,978,467, \$24,355,694, and \$23,809,236, respectively, such amounts comprising 100% of the required contributions for three years.

C. Annual Pension Cost – Agent Plan

For 2007, the School Board's annual pension costs of \$2,220,834 for nonprofessional employees were equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 3.75% to 5.60% for Non-LEO and 3.5% to 4.75% for LEO employees per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The amortization method is open and the remaining amortization period is 20 years.

Trend information for the School Board's agent multiple-employer is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2007	\$2,220,834	100 %	\$ -
June 30, 2006	\$1,603,078	100 %	\$ -
June 30, 2005	\$1,467,147	100 %	\$ -

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NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 6. Retirement and Post-Employment Benefits (continued)

Superintendent Defined Contribution Retirement Plan

The School Board adopted a separate retirement plan for the Norfolk Superintendent of Schools in which the Superintendent could elect out of the defined benefit plan administered by VRS and opt into an Optional Retirement Plan for School Superintendents (ORPSS) under Virginia Code Section 51.1-126.6, also administered by the VRS. The ORPSS is a defined contribution plan.

For any plan year commencing after June 30, 2007 that the participant remains an eligible employee, the School Board will set the amount for the plan contribution on behalf of the participant using the percentage of gross annual salary authorized under Virginia Statute. The current percentage is 10.4%. For the plan year, the School Board, in its discretion may contribute to another qualified or non-qualified plan an additional amount not to exceed the difference between the amount contributed to the ORPSS and \$25,000.

The Virginia Retirement System is the administrator of the plan and Great West is the trustee. Contributions for the year ended June 30, 2007 were fixed contributions of \$20,550.

D. Analysis of Funding Progress
Required Supplementary Information (Unaudited)

Nonprofessional Employees

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Fund Ratio	Covered Payroll	Percentage Covered Payroll
June 30, 2006	\$55,282,776	\$60,006,661	\$4,723,885	92.1%	\$14,246,198	33.2%
June 30, 2005	52,906,114	61,150,786	8,244,672	86.5	14,211,173	58.0
June 30, 2004	52,765,749	54,345,074	1,579,325	97.1	13,647,900	11.6
June 30, 2003	53,170,951	51,919,382	(1,251,569)	102.4	13,052,011	(9.6)
June 30, 2002	54,155,701	49,029,563	(5,126,138)	110.5	12,591,462	(40.7)

Schedule of Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contribution
2006	\$ 24,355,694	6.98 %
2005	23,809,236	8.62
2004	17,323,505	7.25
2003	16,475,939	5.00
2002	15,963,616	10.75

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The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	June 30, 2006
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, Open
Payroll growth rate	2.5%
Remaining amortization period	20 years
Asset valuation method	Modified market
Actuarial assumptions:	
Investment rate of return*	7.50%
Projected salary increases*	
1) Non-LEO	3.75% to 5.60%
2) LEO employees	3.50% to 4.75%
Cost-of-living adjustment	2.50 %

*Includes inflation @ 2.50%.

E. Post Employment Benefits

In addition to the pension benefits described, the School Board provides post-retirement health care benefits, in accordance with adopted statutes, to all employees who retire from the School Division. This benefit is payable until the retiree reaches age 65. At June 30, 2007, 870 retirees met the eligibility requirements and have elected to receive this benefit. The School Board has agreed to pay for each retiree who has elected to continue health care coverage the sum of \$75 per month towards the cost of their health care benefit. The School Board pays the health care benefits over a ten-month period (September to June). Expenditures for post-retirement health care benefits are recognized on a monthly basis through the School Board's financial records. An average of 870 retirees received post employment benefits that totaled \$782,969 for the current fiscal year.

Note 7. Operating Leases

The School Board leases certain office facilities and equipment under operating leases. Total costs for such leases were \$563,881 for the year ended June 30, 2007. The future minimum lease payments over the life of the lease are as follows:

For Year Ended, June 30:	
2008	\$ 328,906
2009	328,906
2010	328,905
2011	431,905
	<u>\$ 1,418,622</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 8. Commitments and Contingencies

The School Board is committed to purchase \$31 million in construction costs related to the renovation of Blair Middle School, \$21.6 million for Coleman Place, and \$4.1 million for Crossroads Elementary Schools. As of June 30, 2007, \$15 million of this commitment has been spent for Blair Middle School and \$13.8 million has been expensed for Coleman Place. These commitments are being financed with the issuance of state lottery/construction and City capital project funds. Construction is expected to be completed by June 2008. There are various construction projects with additional commitments of \$4.2 million. These various projects are expected to be completed by June 2008. Under the agreements, the School Board may refuse to accept the final invoice if the work is considered incomplete. Such action, however, would result in substantial penalties, the amount of which depends on various circumstances.

Note 9. GASB Pronouncements Issued Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the School Board for the City of Norfolk.

- GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition and display of expenses/expenditures and related liabilities (assets), note disclosures and if applicable, required supplementary information in the financial reports of state and local government employers on other post employment benefits ("OPEB"). The School Board will be required to adopt this statement in the same fiscal year as the City of Norfolk.
- GASB Statement 47, *Accounting for Termination Benefits*. This statement requires financial statements prepared on the accrual basis of accounting to recognize a liability and expense for voluntary termination benefits when the offer of termination benefits is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits should be recognized when a plan of termination has been approved by those with the authority to commit the entity to the plan, the plan has been communicated to employees, and the amount can be estimated. The Schools are required to adopt this statement at the same time it adopts GASB Statement 45 mentioned above.
- GASB Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The Statement establishes criteria that governments will use to ascertain whether the proceeds received in an exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments should be reported as revenue or as a liability.

**SCHOOL BOARD FOR THE CITY OF NORFOLK
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NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. GASB Pronouncements Issued But Not Yet Effective (continued)

The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through the continuing involvement with those receivables or future revenues. This statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity.

This Statement includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Therefore, any assets (or future revenues) sold or donated within the same financial entity should continue to be reported at their current carrying value when those assets or future revenues are transferred.

This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The disclosures pertaining to future revenues that have been pledged or sold are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. The requirements of this Statement are effective for financial statements for periods beginning December 15, 2006.

- GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure care and nuclear power plant decommissioning. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007.
- GASB Statement 50, *Pension Disclosures*. The statement more closely aligns the financial reporting requirements for pensions with those for “other postemployment benefits” (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 9. GASB Pronouncements Issued But Not Yet Effective (continued)

25, *Financial Reporting for Defined benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Government Employers* to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. With certain exceptions, the requirements of this Statement are effective for financial statements for periods beginning after June 15, 2007.

- GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*. The Statement requires that all intangible assets (for example easements, water rights, timber rights, patents, trademarks, and computer software) not specifically excluded by the scope of its provisions be classified as capital assets, and follow existing authoritative guidance relating to the accounting and financial reporting for capital assets. This guidance includes recognition in financial statements and amortization of intangible assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

- Information generally reported in the RSI section is reported in the Basic Financial Statements:
 - General Fund
 - Grant Fund

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OTHER SUPPLEMENTARY INFORMATION

Schedule 1

**School Board for the City of Norfolk
Budgetary Comparison - Capital Projects Fund - Budgetary Basis
For the Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)		Variance with Final Budget Favorable/(Unfavorable)
	Original	Final			
Budgetary fund balance, July 1					
Resources (inflows)					
Local sources	\$ 2,872,294	\$ -	\$ 4,596	\$ 4,596	
Commonwealth of Virginia	595,410	-	604,851	604,851	
Local government	<u>65,819,279</u>	<u>36,836,938</u>	<u>9,529,392</u>		<u>(27,307,546)</u>
Amounts available for appropriation	<u>69,286,983</u>	<u>36,836,938</u>	<u>10,138,839</u>		<u>(26,698,099)</u>
Charges to appropriations (outflows)					
Instruction	-	3,222,386	-	3,222,386	
Operation and Maintenance	-	36,054	9,965	26,089	
Information Technology	1,227,601	1,375,992	381,053	994,939	
School Facilities	<u>68,059,382</u>	<u>32,202,506</u>	<u>18,742,919</u>		<u>13,459,587</u>
Total charges to appropriations	<u>69,286,983</u>	<u>36,836,938</u>	<u>19,133,937</u>		<u>17,703,001</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,995,098)</u>		<u>\$ (8,995,098)</u>

Reconciliation of Budgetary Inflows and Outflows with

Revenues and Expenditures in Exhibit IV:

Sources/Inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (Exhibit V, VI and VII) \$ 10,138,839

Difference - budget to GAAP:

Increase in revenue accruals from federal revenue sources 1,556,332

Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV) \$ 11,695,171

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule \$ 19,133,937

Difference - budget to GAAP:

Supplies and equipment ordered and expensed in the year received for financial reporting purposes. 1,594,669

Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV) \$ 20,728,606

Schedule 2

School Board for the City of Norfolk
 Statement of Budgetary Comparison - Child Nutrition Services
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)		Variance with Final Budget Favorable/(Unfavorable)
	Original	Final			
Budgetary fund balance, July 1					
Resources (inflows)					
Local sources	\$ 5,202,040	\$ 5,202,040	\$ 4,278,997	\$	(923,043)
Commonwealth of Virginia	230,000	230,000	246,100		16,100
Federal government	<u>9,573,740</u>	<u>9,573,740</u>	<u>9,508,665</u>		(65,075)
Amounts available for appropriation	<u>15,005,780</u>	<u>15,005,780</u>	<u>14,033,762</u>		(972,018)
Charges to appropriations (outflows)					
Operation and Maintenance			1,299		(1,299)
Food Services	15,005,780	15,011,151	13,407,948		1,603,203
Total charges to appropriations	<u>15,005,780</u>	<u>15,011,151</u>	<u>13,409,247</u>		<u>1,601,904</u>
Budgetary fund balance, June 30	\$ -	\$ (5,371)	\$ 624,515	\$	629,886
Reconciliation of Budgetary Inflows and Outflows with Revenues and Expenditures in Exhibit IV:					
Sources/Inflows of resources					
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (Exhibit V, VI and VII)			\$ 14,033,762		
Difference - budget to GAAP:					
Decrease in revenue accruals from local revenue sources			(767,619)		
Increase in revenue accruals from state revenue sources			6,775		
Increase in revenue accruals from federal revenue sources			<u>967,049</u>		
Total revenues and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)			<u>\$ 14,239,967</u>		
Uses/Outflows of resources					
Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule			\$ 13,409,247		
Difference - budget to GAAP:					
Supplies and equipment ordered and expensed in the year received for financial reporting purposes.			<u>231,200</u>		
Total expenditures and transfers as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (Exhibit IV)			<u>\$ 13,640,447</u>		

Schedule 3

School Board for the City of Norfolk
Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
Year Ended June 30, 2007

	Balance			Balance
	July 1, 2006	Additions	Deductions	June 30, 2007
<hr/>				
ASSETS				
Cash and cash equivalents	\$ 4,216,174	\$ 107,269,202	\$ 104,009,194	\$ 7,476,182
Accounts receivables	6,238	1,433,500	759,774	679,964
Total Assets	<u>\$ 4,222,412</u>	<u>\$ 108,702,702</u>	<u>\$ 104,768,968</u>	<u>\$ 8,156,146</u>
LIABILITIES				
Due to other agencies	\$ 4,142,195	\$ 111,936,188	\$ 107,933,305	\$ 8,145,078
Accounts Payable	80,217	95,572,202	95,641,351	11,068
Total Liabilities	<u>\$ 4,222,412</u>	<u>\$ 207,508,390</u>	<u>\$ 203,574,656</u>	<u>\$ 8,156,146</u>

STATISTICAL SECTION

(UNAUDITED)

Notes to the Statistical Section:

Ten years of data is presented for the School Board and/or the City of Norfolk. The School Board is a component unit of the City.

Financial Trend Data:

- Information on Net Assets
- Information on Changes in Net Assets
- Information on Fund Balances
- Information on Changes in Fund Balances

Revenue Capacity Data:

- Information about the revenue base
- Information about principal revenue payers (current and nine years prior)
- Information about property tax levies and collections

Debt Capacity Data:

- Ratios of outstanding debt
- Ratios of general bonded debt
- Information about direct and overlapping debt (current year)
- Information about debt limitations
- Information about pledged revenue coverage

Demographic and Economic Information:

At a minimum, population, total personal income, per capita income, and unemployment rates must be presented for governmental agencies.

Operating Information:

Governments are required to present:

- The number of government employees
- Indicators of the demand or level of service
- Indicators of volume, usage, or nature of capital assets

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(UNAUDITED)

School Board for the City of Norfolk
Financial Trends Information
Schedule 1
Net Assets by Category
Last Six Fiscal Years
(Amounts in thousands)

	Fiscal Years					
	2002	2003	2004	2005	2006	2007
Governmental Activities:						
Invested in capital assets, net of related debt	\$ 37,686	\$ 36,313	\$ 32,843	\$ 47,865	\$ 50,497	\$ 66,064
Restricted	9,483	7,315	9,931	6,400	19,045	2,993
Unrestricted	12,389	15,589	12,065	16,849	6,213	14,347
Total governmental activities net assets	\$ 59,558	\$ 59,217	\$ 54,839	\$ 71,114	\$ 75,755	\$ 83,404

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the School Board adopted GASB 34.

(UNAUDITED)

School Board for the City of Norfolk
Financial Trends Information
Schedule 2
Changes in Net Assets
Last Six Fiscal Years
(Amounts in thousands)

	Fiscal Years					
	2002	2003	2004	2005	2006	2007
	As Restated	As Restated				
Revenues:						
Program Revenues:						
Charges for services	\$ 4,928	\$ 4,873	\$ 6,780	\$ 6,469	\$ 5,750	\$ 5,155
Operating grants and contributions	193,508	201,923	204,523	228,776	226,262	258,153
Capital grants and contributions	5,537	10,839	11,700	9,414	21,172	11,695
Total Program Revenues	<u>203,973</u>	<u>217,635</u>	<u>223,003</u>	<u>244,659</u>	<u>253,184</u>	<u>275,003</u>
General Revenues:						
Use of money and property	1,846	1,624	2,290	1,874	2,863	3,840
Other				103	63	53
Local government	83,883	88,854	90,020	91,865	92,595	97,595
Total General Revenues	<u>85,729</u>	<u>90,478</u>	<u>92,310</u>	<u>93,842</u>	<u>95,521</u>	<u>101,488</u>
Total Revenues	<u>289,702</u>	<u>308,113</u>	<u>315,313</u>	<u>338,501</u>	<u>348,705</u>	<u>376,491</u>
Expenses:						
Instruction	213,991	228,397	235,930	257,416	256,730	261,248
Support Services:						
Administration, Attendance and Health	10,441	10,425	10,593	10,879	11,846	11,690
Pupil Transportation	9,655	9,826	12,109	7,076	9,988	10,588
Operation and Maintenance	27,962	28,505	27,936	29,101	34,112	35,398
Information Technology	5,113	6,004	6,678	10,239	9,222	9,608
School Facilities	8,068	19,416	14,071	4,621	5,348	27,473
Food Services	15,129	5,882	12,373	13,035	13,700	12,837
Total Expenses	<u>290,359</u>	<u>308,455</u>	<u>319,690</u>	<u>332,367</u>	<u>340,946</u>	<u>368,842</u>
Change in Net Assets	<u><u>\$ (657)</u></u>	<u><u>\$ (342)</u></u>	<u><u>\$ (4,377)</u></u>	<u><u>\$ 6,134</u></u>	<u><u>\$ 7,759</u></u>	<u><u>\$ 7,649</u></u>

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the School Board adopted GASB 34.

(UNAUDITED)

School Board for the City of Norfolk
Financial Trends Information
Schedule 3
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

	Fiscal Years									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 8,443	\$ 15,133	\$ 10,242	\$ 9,470	\$ 10,334	\$ 14,398	\$ 11,481	\$ 5,617	\$ 8,332	\$ 12,273
Unreserved	-	766	3,305	6,704	9,332	9,099	8,549	19,154	5,233	6,037
Total General Fund	8,443	15,899	13,547	16,174	19,666	23,497	20,030	24,771	13,565	18,310
Grant Fund										
Reserved	-	-	7,494	3,843	3,097	-	2,084	314	2,430	1,472
Unreserved	-	-	(7,494)	(3,843)	(2,028)	789	(2,033)	-	-	-
Total Grant Fund	-	-	-	-	1,069	789	51	314	2,430	1,472
Capital Projects Fund										
Reserved	-	-	-	-	-	-	5,198	1,066	11,157	641
Unreserved	-	-	-	-	-	-	-	-	-	1,483
Total Capital Projects Fund	-	-	-	-	-	-	5,198	1,066	11,157	2,124
All Other Governmental Funds										
Reserved	-	-	75	118	5,443	4,447	780	637	969	1,245
Unreserved	4,711	4,956	6,365	3,649	2,971	2,079	4,295	4,743	4,792	5,116
Total Other Governmental Funds	4,711	4,956	6,440	3,767	8,414	6,526	5,075	5,380	5,761	6,361
Total Fund Balance, Governmental Funds	\$ 13,154	\$ 20,855	\$ 19,987	\$ 19,941	\$ 29,149	\$ 30,812	\$ 30,354	\$ 31,531	\$ 32,913	\$ 28,267

(UNAUDITED)

School Board for the City of Norfolk
Financial Trends Information
Schedule 4
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

	Fiscal Years									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUES										
Use of money and property	\$ 731	\$ 2,226	\$ 1,541	\$ 1,692	\$ 1,705	\$ 1,517	\$ 1,302	\$ 1,837	\$ 2,863	\$ 3,840
Charges for services	4,353	4,540	4,400	4,527	4,928	4,873	6,780	6,469	5,750	5,155
Other	387	239	164	241	223	1,093	1,173	526	324	209
Intergovernmental:										
Local government	76,708	79,378	79,859	81,713	84,839	98,216	99,950	100,652	103,093	108,681
Commonwealth of Virginia	128,853	140,542	153,803	165,659	157,380	161,705	165,375	185,870	190,200	206,170
Federal government	29,196	31,022	32,806	34,461	40,627	40,709	40,733	43,147	46,475	52,436
Total revenues	240,228	257,947	272,573	288,293	289,702	308,113	315,313	338,501	348,705	376,491
EXPENDITURES										
Instruction	164,009	167,077	180,946	186,989	212,042	226,640	233,019	261,225	256,649	278,272
Administration, Attendance, and Health	-	-	-	-	10,359	10,347	10,452	11,057	11,683	11,836
Pupil Transportation	-	-	-	-	9,575	9,752	11,940	7,193	10,390	10,416
Operation and Maintenance	12,634	12,746	13,528	12,466	27,743	28,297	27,549	29,595	32,262	33,648
Information Technology	-	-	-	-	5,071	5,962	6,600	10,365	8,786	9,435
School Facilities	-	-	-	-	7,755	19,105	13,749	4,385	13,726	23,612
Food Services	-	-	-	-	15,109	5,811	12,204	13,254	13,587	13,685
Other	-	-	-	-	411	269	-	-	-	-
Support Activities and facilities	42,704	48,084	54,036	57,326	-	-	-	-	-	-
Categorical grants	19,856	22,037	24,638	31,273	-	-	-	-	-	-
Debt service:										
Principal	157	157	157	157	157	157	157	157	157	157
Interest and other charges	153	145	136	127	119	110	101	93	84	75
Total expenditures	239,513	250,246	273,441	288,338	288,341	306,450	315,771	337,324	347,324	381,136
Excess (deficiency) of revenues over expenditures	715	7,701	(868)	(45)	1,361	1,663	(458)	1,177	1,381	(4,645)
OTHER FINANCING SOURCES (USES)										
Transfers in from primary government	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	2,250	-	-	-	4,172	-	10,054
Transfers out	-	-	-	(2,250)	-	-	-	(4,172)	-	(10,054)
Total other financing sources and uses	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	715	7,701	(868)	(45)	1,361	1,663	(458)	1,177	1,381	(4,645)
Debt services as a percentage of noncapital Expenditures	0.16%	0.15%	0.13%	0.12%	0.10%	0.09%	0.08%	0.07%	0.07%	0.06%

(UNAUDITED)

School Board for the City of Norfolk
Financial Trends Information
Schedule 5
Program Revenues by Function (Optional Schedule)
Last Six Fiscal Years
(Amounts in thousands)

	Fiscal Years					
	2002	2003	2004 As Restated	2005 As Restated	2006	2007
Function/Program						
Charges for Services						
Instruction	\$ 2,093	\$ 1,936	\$ 2,959	\$ 2,440	\$ 2,629	\$ 1,907
Food Services	2,835	2,937	3,821	4,029	3,121	3,248
Subtotal of Charges for Services	4,928	4,873	6,780	6,469	5,750	5,155
Operating Grants and Contributions						
Instruction	185,752	191,263	193,498	219,258	215,634	247,424
Information Technology	818	1,161	1,161	-	-	-
Food Services	8,938	9,499	9,864	9,518	10,628	10,729
Subtotal of Operating Grants and Contributions	195,508	201,923	204,523	228,776	226,262	258,153
Capital Grants and Contributions						
School Facilities	5,537	10,839	11,700	9,414	21,172	11,695
Subtotal of Capital Grants and Contributions	5,537	10,839	11,700	9,414	21,172	11,695
Total Program Revenues	\$ 205,973	\$ 217,635	\$ 223,003	\$ 244,659	\$ 253,184	\$ 275,003

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the School Board adopted GASB 34.

(UNAUDITED)

School Board for the City of Norfolk
Financial Trends Information
Schedule 6
Total Revenue by Source, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Years	Use of Money and Property	Charges for Services	Other	Inter-Governmental Local	Inter-Governmental State	Inter-Governmental Federal	Total
1998	\$ 731	\$ 4,353	\$ 387	\$ 76,708	\$ 128,853	\$ 29,196	\$ 240,228
1999	2,226	4,540	239	79,379	140,542	31,021	257,947
2000	1,541	4,400	164	79,859	153,803	32,806	272,573
2001	1,692	4,527	241	81,713	165,659	34,462	288,294
2002	1,705	4,928	223	84,839	157,380	40,627	289,702
2003	1,517	4,873	1,093	98,216	161,706	40,709	308,114
2004	1,302	6,780	1,173	99,950	165,375	40,733	315,313
2005	1,838	6,469	526	100,652	185,870	43,147	338,502
2006	2,862	5,750	324	103,094	190,200	46,475	348,705
2007	3,840	5,155	209	108,681	206,170	52,436	376,491
Change							
1998-2007	425.3%	18.4%	-46.0%	41.7%	60.0%	79.6%	56.7%

(UNAUDITED)

School Board for the City of Norfolk
Debt Capacity Information
Schedule 1
Transportation Facility
Last Ten Fiscal Years

Fiscal Year	Debt Service		
	Principal	Interest	Total
1998	\$ 156,900	\$ 153,267	\$ 310,167
1999	156,900	144,626	301,526
2000	156,900	135,985	292,885
2001	156,900	127,345	284,245
2002	156,900	118,704	275,604
2003	156,900	110,083	266,983
2004	156,900	101,422	258,322
2005	156,900	92,782	249,682
2006	156,900	84,141	241,041
2007	156,900	75,500	232,400

Notes:

1. The debt is being paid to the City of Norfolk from 1995 -2016.
2. The orginal cost of the facility was \$3.1 million.

(UNAUDITED)

School Board for the City of Norfolk
Debt Capacity
Schedule 2
Ratio of Annual Debt Service Expenditures
Last Ten Years
to Total General Expenditures

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
1998	\$ 156,900	\$ 153,267	\$ 310,167	\$ 239,513,400	0.13%
1999	156,900	144,626	301,526	250,245,896	0.12%
2000	156,900	135,985	292,885	273,441,360	0.11%
2001	156,900	127,345	284,245	288,338,362	0.10%
2002	156,900	118,704	275,604	288,340,595	0.10%
2003	156,900	110,083	266,983	306,450,353	0.09%
2004	156,900	101,422	258,322	315,771,027	0.08%
2005	156,900	92,782	249,682	337,324,224	0.07%
2006	156,900	84,141	241,041	347,323,628	0.07%
2007	156,900	75,500	232,400	381,136,457	0.06%

Notes:

1. Total general expenditures include the expenditures for debt service.
2. Total general expenditures are presented using the modified accrual basis of accounting.

School Board for the City of Norfolk
Child Nutrition Services
Summary of Meals Served
For the Year Ended June 30, 2007

School	Breakfast	Lunch	Total
Elementary Schools	1,233,224	2,536,215	3,769,439
Middle Schools	223,188	898,728	1,121,916
High Schools	150,050	585,681	735,731
Auxiliary Facilities	81,640	127,451	209,091
Totals	1,688,102	4,148,075	5,836,177

School Board for the City of Norfolk
Percent of Free and Reduced Price Lunch Program Eligibility Data
For the month of October 2006

Schools	Paid	Reduced	Free	Total Free / Reduced
Elementary Schools:				
Bay View Elementary	56.69%	11.28%	32.03%	43.31%
Camp Allen Elementary	49.76%	20.88%	29.36%	50.24%
Campostella Elementary	7.28%	4.55%	88.16%	92.72%
Chesterfield Academy Elementary	22.80%	6.54%	70.65%	77.20%
Coleman Place Elementary	28.13%	9.42%	62.45%	71.87%
Crossroads Elementary	39.51%	16.78%	43.71%	60.49%
Dreamkeepers Academy at J.J. Roberts Elementary	20.38%	10.66%	68.96%	79.62%
Fairlawn Elementary	42.21%	16.77%	41.03%	57.79%
Ghent Elementary	70.02%	7.31%	22.67%	29.98%
Granby Elementary	40.19%	15.35%	44.46%	59.81%
Ingleside Elementary	38.20%	13.40%	48.40%	61.80%
Jacox Elementary	8.26%	4.43%	87.31%	91.74%
James Monroe Elementary	13.50%	8.41%	78.10%	86.50%
Larchmont Elementary	71.04%	4.89%	24.07%	28.96%
Larrymore Elementary	48.43%	12.94%	38.63%	51.57%
Lindenwood Elementary	14.41%	8.43%	77.16%	85.59%
Little Creek Elementary Annex	37.67%	11.67%	50.67%	62.33%
Little Creek Elementary	32.04%	14.73%	53.23%	67.96%
Mary Calcott Elementary	59.22%	12.35%	28.43%	40.78%
Norview Elementary	17.97%	13.87%	68.16%	82.03%
Oakwood Elementary	31.62%	15.12%	53.26%	68.38%
Ocean View Elementary	41.72%	12.76%	45.52%	58.28%
Oceanair Elementary	38.39%	13.86%	47.75%	61.61%
P.B. Young Sr. Elementary	5.69%	2.84%	91.47%	94.31%
Poplar Halls Elementary	42.29%	10.29%	47.43%	57.71%
Richard Bowling Elementary	20.56%	16.27%	63.17%	79.44%
Sewells Point Elementary	47.15%	27.01%	25.84%	52.85%
Sherwood Forest Elementary	42.60%	15.56%	41.84%	57.40%
St. Helena Elementary	23.47%	8.30%	68.23%	76.53%
Suburban Park Elementary	35.84%	10.40%	53.76%	64.16%
Tanners Creek Elementary	35.61%	14.33%	50.07%	64.39%
Tarrallton Elementary	57.34%	15.51%	27.15%	42.66%
Tidewater Park Elementary	3.05%	3.32%	93.63%	96.95%
W.H. Taylor Elementary	67.67%	7.67%	24.65%	32.33%
Willard Model Elementary	42.33%	12.35%	45.33%	57.67%
Willoughby Elementary	48.08%	24.36%	27.56%	51.92%

School Board for the City of Norfolk
Percent of Free and Reduced Price Lunch Program Eligibility Data
For the month of October 2006

Schools	Paid	Reduced	Free	Total Free / Reduced
Middle Schools:				
Azalea Middle	54.21%	12.10%	33.69%	45.79%
Blair Middle	44.86%	12.57%	42.57%	55.14%
Lafayette-Winona Middle	24.41%	8.35%	67.24%	75.59%
Lake Taylor Middle	27.28%	12.31%	60.41%	72.72%
Northside Middle	48.27%	14.24%	37.49%	51.73%
Norview Middle	32.82%	11.51%	55.67%	67.18%
Rosemont Middle	39.51%	11.88%	48.61%	60.49%
Ruffner Middle	23.86%	9.81%	66.33%	76.14%
School of International Studies at Meadowbrook	63.51%	13.85%	22.64%	36.49%
High Schools:				
B.T. Washington High	41.52%	10.47%	48.01%	58.48%
Granby High	61.09%	9.54%	29.37%	38.91%
Lake Taylor High	49.93%	10.56%	39.51%	50.07%
Maury High	66.13%	8.34%	25.53%	33.87%
Norview High	54.22%	10.81%	34.97%	45.78%
Auxiliary Facilities:				
ECC-Berkley/Campostella	16.54%	9.02%	74.44%	83.46%
Easton Preschool	46.92%	13.27%	39.81%	53.08%
Madison Career Center	36.36%	8.08%	55.56%	63.64%
Marine Institute	10.00%	15.00%	75.00%	90.00%
Nofolk Technical Center	67.24%	7.91%	24.85%	32.76%
ECC at Stuart	28.57%	14.29%	57.14%	71.43%
Norfolk RE-ED School - SECEP	25.93%	12.96%	61.11%	74.07%
School Board for the City of Norfolk Totals	42.32%	11.33%	46.35%	57.68%
October 2006 Totals	42.32%	11.33%	46.35%	57.68%

Summary of Child Nutrition Services Funds

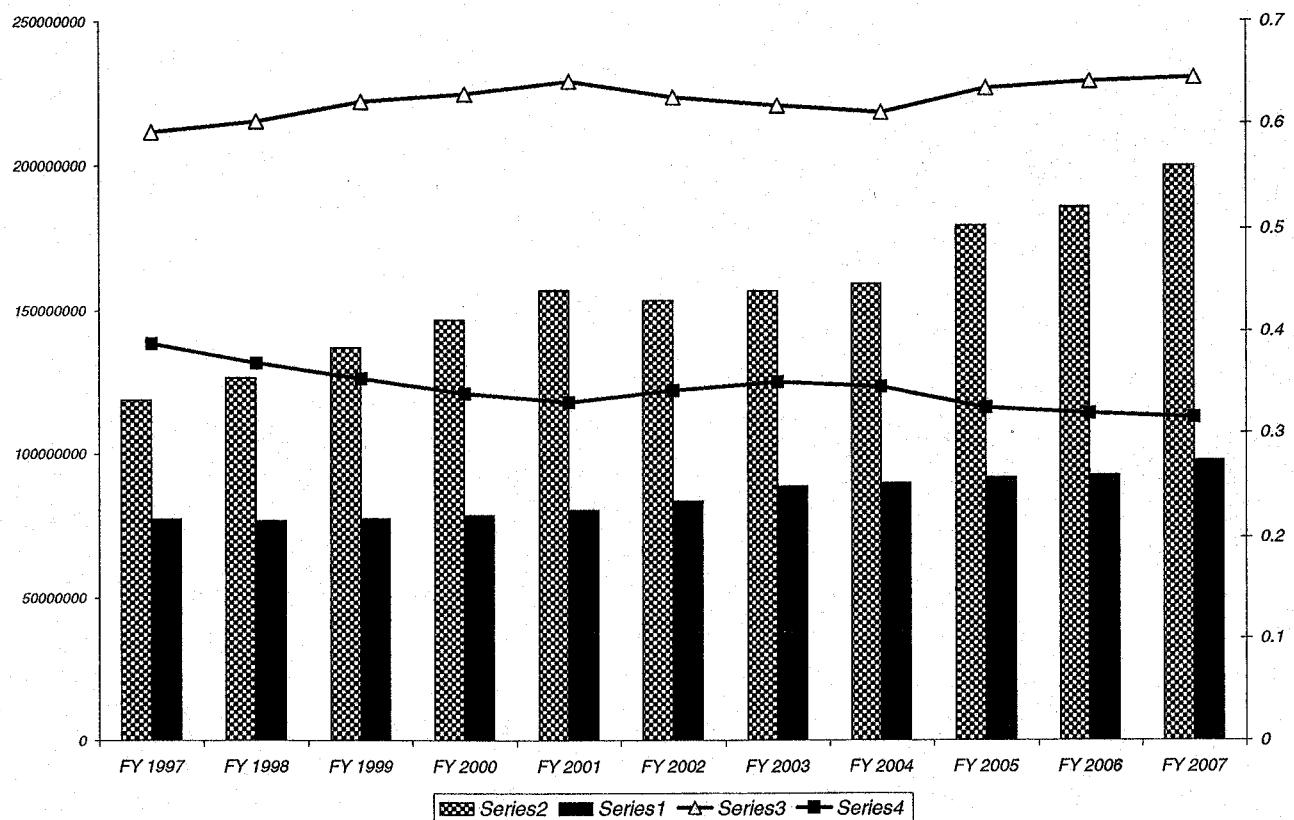
Currently, Norfolk serves an average of 35,000 meals and 750 after-school snacks each day. Child Nutrition Services provides breakfasts, lunches, and snacks which meet the nutritional requirements of the U.S. Department of Agriculture. Meals are provided free of charge to students who are eligible for free or reduced meals. Norfolk operates the program as a non-profit organization and utilizes commodities provided by USDA as well as those provided by private vendors.

Account Description	Positions		Actual	Actual	Budget	Actual	Budget	% Increase Over 2007
	2007	2008	2005	2006	2007	2007	2008	
Revenue								
Sales			\$3,608,311	\$3,120,945	\$3,467,040	\$3,248,279	\$3,214,570	-7.28%
Federal and state food program reimbursements			9,518,196	9,747,430	9,803,740	9,767,554	10,039,850	2.41%
Federal commodities donated			421,095	880,278	800,000	961,035	880,000	10.00%
Interest earnings			43,607	156,302	85,000	209,539	160,760	89.13%
Other			102,826	63,238	50,000	53,560	62,090	24.18%
Total revenue			\$13,694,035	\$13,968,194	\$14,205,780	\$14,239,967	\$14,357,270	1.07%
Expenditures								
Cost of goods sold			\$5,850,588	\$6,032,140	\$6,359,090	\$6,001,876	\$6,394,070	0.55%
Employee compensation	214.50	214.50	6,418,839	6,570,957	6,923,870	6,720,738	7,328,480	5.84%
Maintenance costs			248,012	166,049	272,820	201,900	174,360	-36.09%
Supplies and materials			208,052	190,335	150,000	254,490	199,850	33.23%
Cafeteria and other equipment			0	68,518	250,000	212,207	250,000	0.00%
Other costs			663,396	558,527	250,000	249,238	586,460	134.58%
Total expenditures	214.50	214.50	\$13,388,887	\$13,586,526	\$14,205,780	\$13,640,447	\$14,933,220	5.12%
Excess of revenues over expenditures			\$305,148	\$381,668	\$0	\$599,520	(\$575,950)	
Total expenditures & Excess revenues over expenditures			\$13,694,035	\$13,968,194	\$14,205,780	\$14,239,967	\$14,357,270	
Fund balance - beginning of year			5,074,501	5,379,649	5,761,317	5,761,317	5,761,317	
Fund balance - end of year			\$5,379,649	\$5,761,317	\$5,761,317	\$6,360,837	\$5,185,367	-10.00 %

Explanation of Significant Changes from 2006 to 2007:

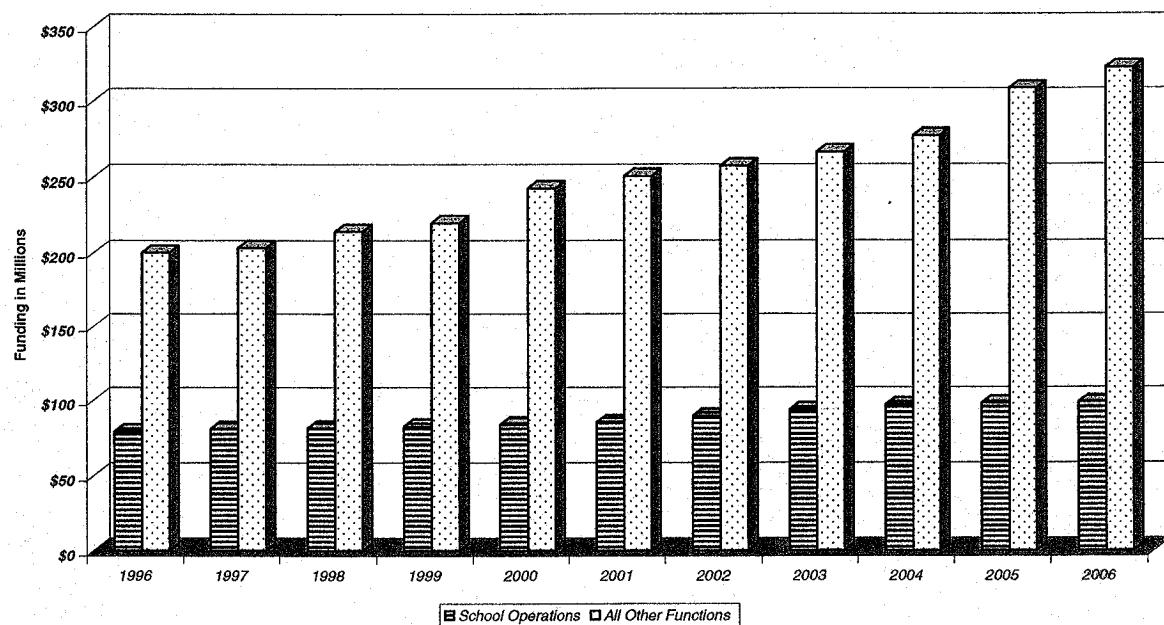
Sales revenue for FY 2007 includes an increase of \$350,000 from anticipated price increase of \$0.25 per full-priced lunch and \$0.10 for full-priced breakfast.

State and City Revenues



This chart indicates state and city funding (the two major sources of school funds) over the last decade. The information is in actual dollars (unadjusted for inflation) based on the overall funding, including federal and other local revenues (fees, interest, etc.). Since federal and local revenues are not shown on this chart, the percentages do not total 100%.

**Comparison of Revenue Under Local Control Dedicated
to School Operations and to Other Functions**
1996-2006



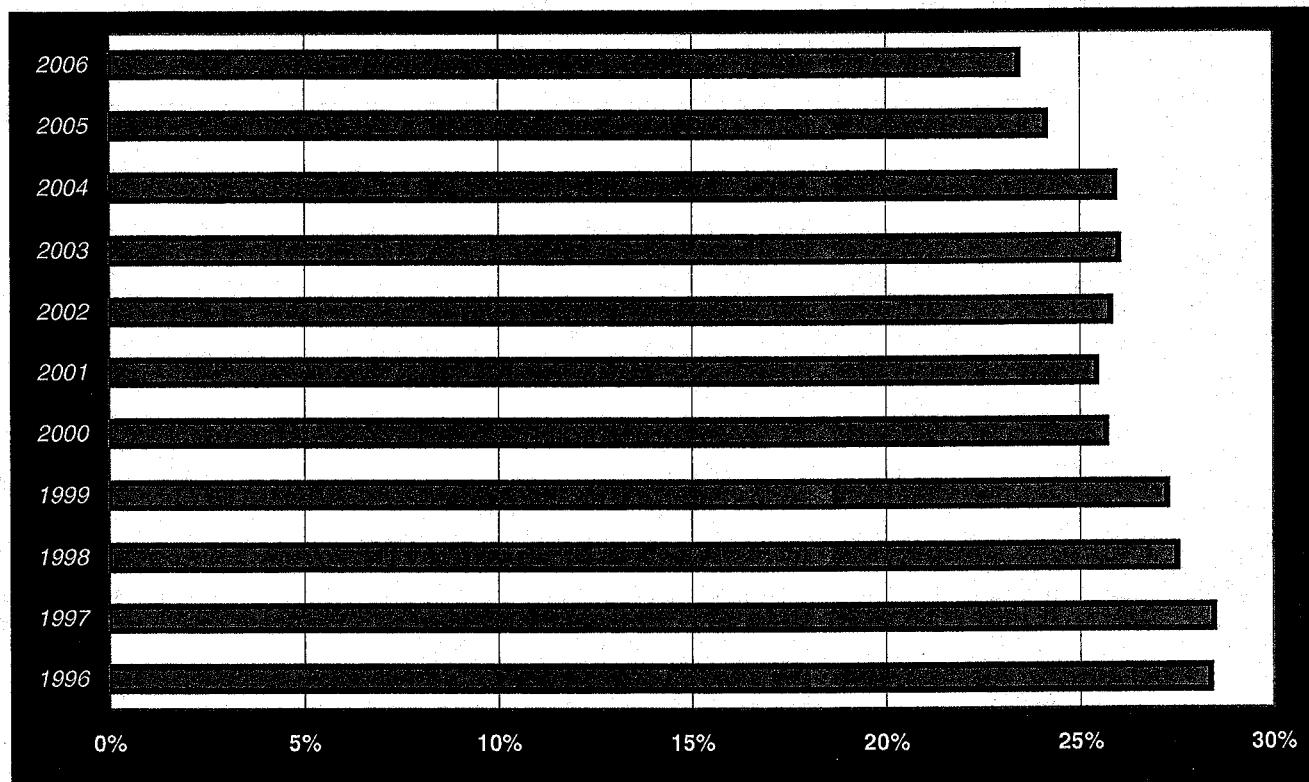
Year	Revenue Under Local Control		Local Revenue Dedicated to School Operations (a)		Local Revenue Dedicated to All Other Functions	
	Total	Growth	Total	Growth	Total	Growth
FY 1996	\$279.37	3.8%	\$79.25	2.0%	\$200.12	4.6%
FY 1997	\$284.19	1.7%	\$80.87	2.0%	\$203.32	1.6%
FY 1998	\$295.74	4.1%	\$81.38	0.6%	\$214.36	5.4%
FY 1999	\$302.67	2.3%	\$82.54	1.4%	\$220.13	2.7%
FY 2000	\$326.52	7.9%	\$83.83	1.6%	\$242.69	10.3%
FY 2001	\$335.90	2.9%	\$85.39	1.9%	\$250.51	3.2%
FY 2002	\$346.70	3.2%	\$89.42	4.7%	\$257.28	2.7%
FY 2003	\$359.65	3.7%	\$93.54	4.6%	\$266.11	3.4%
FY 2004	\$373.80	3.9%	\$96.86	3.5%	\$276.94	4.1%
FY 2005	\$406.30	8.7%	\$97.81	1.0%	\$308.49	11.4%
FY 2006	\$420.98	3.6%	\$98.57	80.0%	\$322.41	4.5%

Amounts shown are in millions of dollars

Average growth 1996-06	5.1%	2.4%	6.1%
Total growth 1996-06	50.7%	24.4%	61.1%

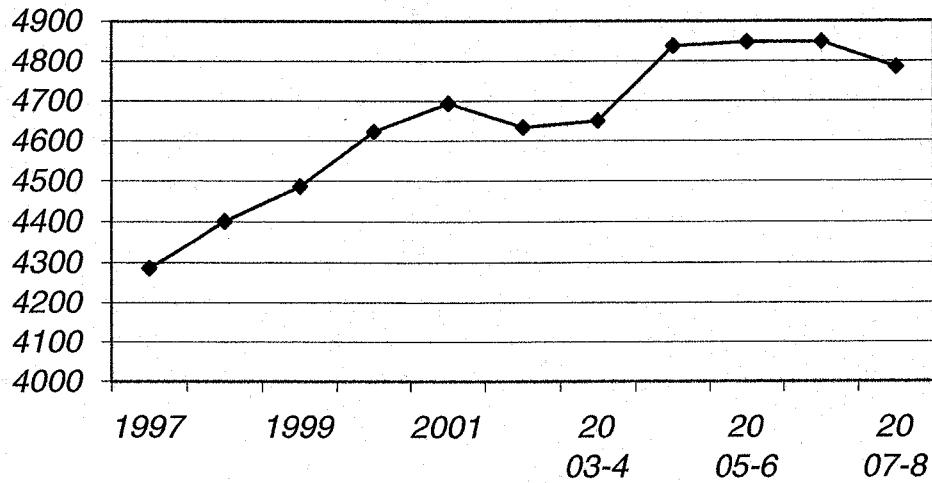
(a) Includes an estimate of cost of crossing guards, school nurses, grounds maintenance and local revenues collected directly by school board (fees, etc.).

**Percentage of Revenue Under Local Control
Dedicated to School Operations
1996-2006**



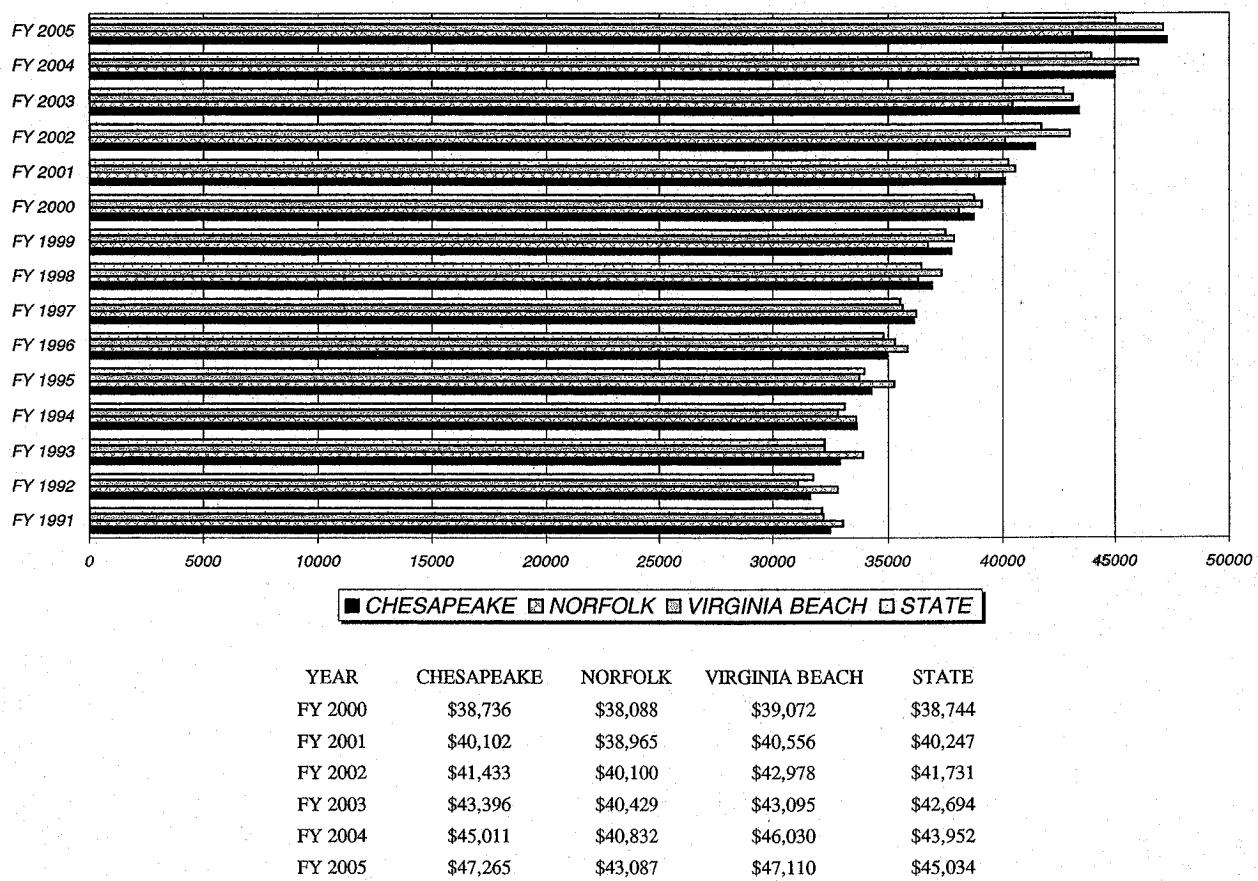
Year	Local Revenue	Dedicated to School Operations	% to School Operations
FY 1996	\$279.37	\$79.25	28.4%
FY 1997	\$284.19	\$80.87	28.5%
FY 1998	\$295.74	\$81.38	27.5%
FY 1999	\$302.67	\$82.54	27.3%
FY 2000	\$326.52	\$83.83	25.7%
FY 2001	\$335.90	\$85.39	25.4%
FY 2002	\$346.70	\$89.42	25.8%
FY 2003	\$359.65	\$93.54	26.0%
FY 2004	\$373.80	\$96.86	25.9%
FY 2005	\$406.30	\$97.81	24.1%
FY 2006	\$420.98	\$98.57	23.4%

School Board for the City of Norfolk
Full Time Equivalent



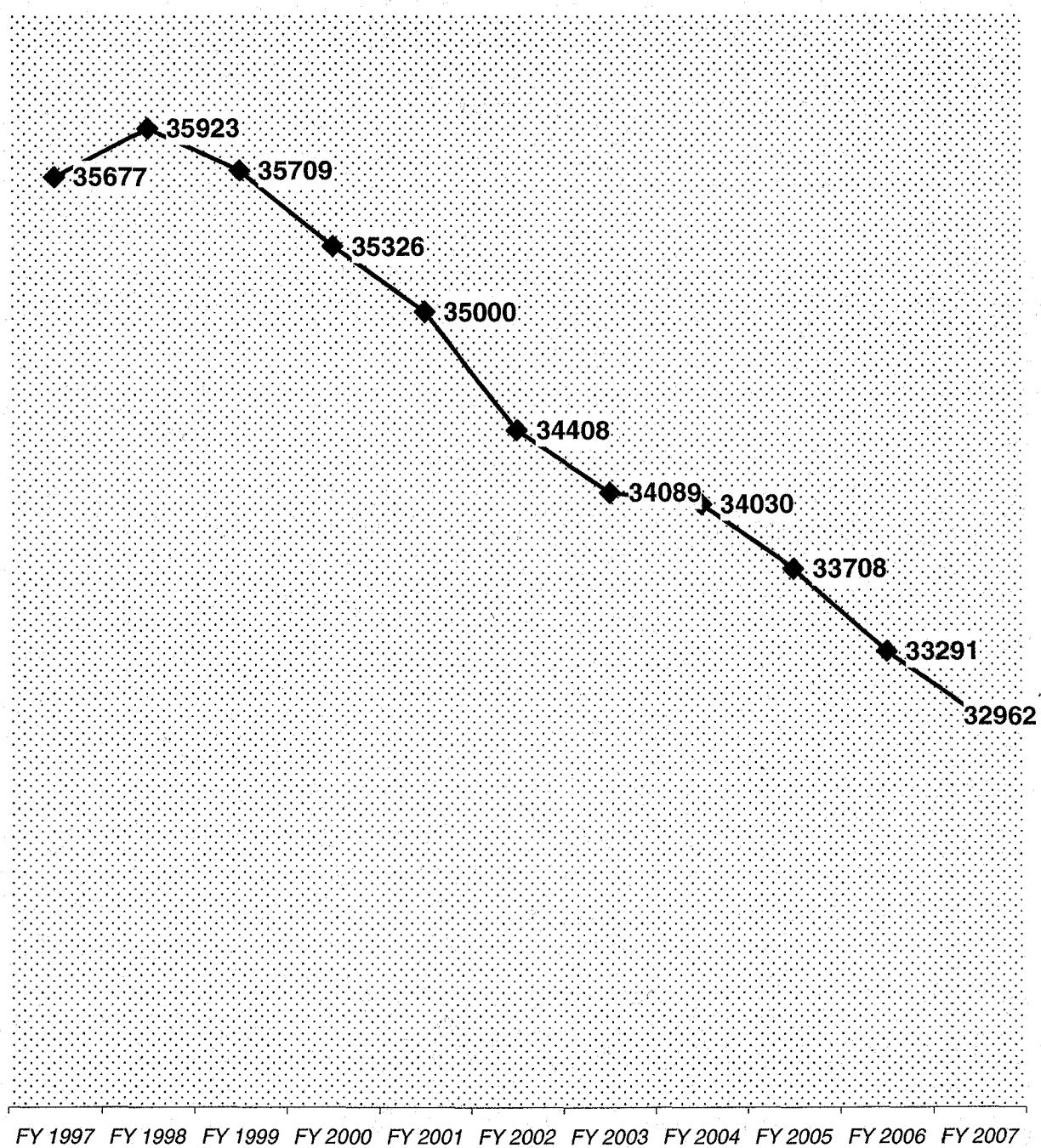
Year	FTE
1997	4286
1998	4401
1999	4486
2000	4623
2001	4694
2002-3	4634
2003-4	4650
2004-5	4838
2005-6	4848
2006-7	4849
2007-8	4785

Average Annual Salary - All Teaching Positions



Source: Superintendent's Annual Report for Virginia

Average Daily Membership



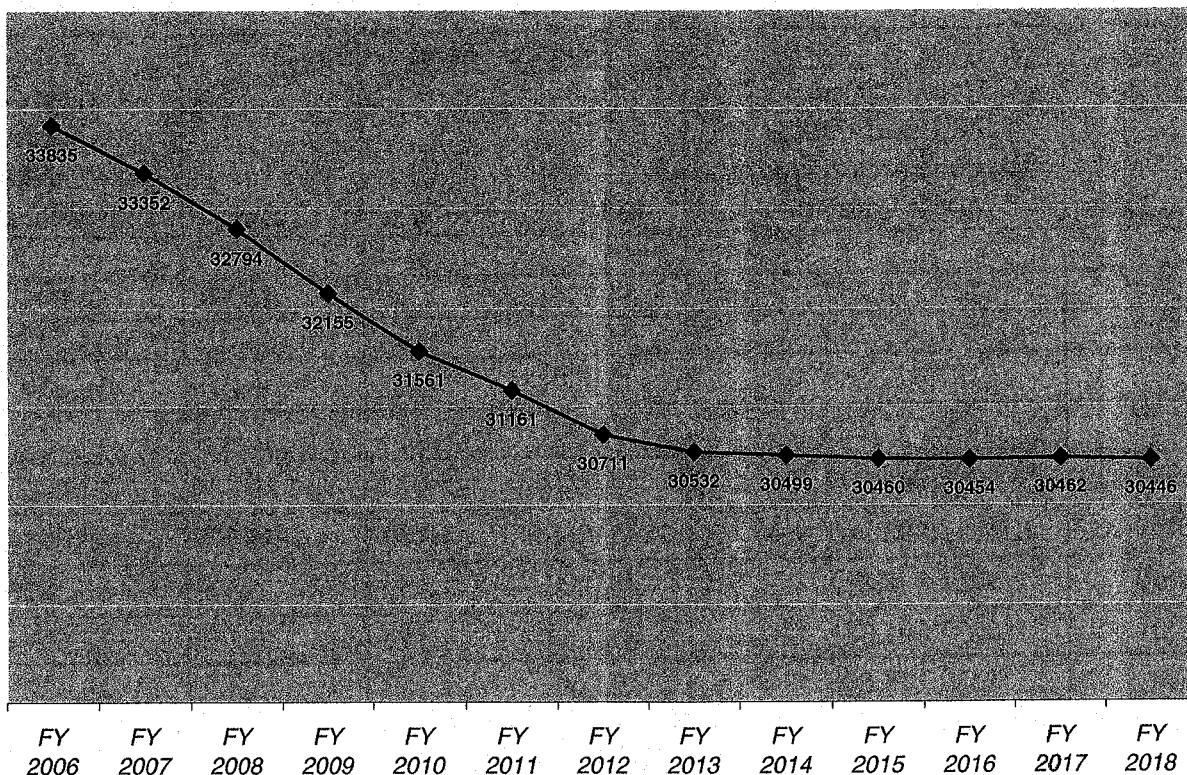
Average Costs Per Student

Fiscal Year	Total Local Budget or Expenditures excluding Adult Education	Student Memberships (b)			Average Cost per Student exclusive of Adult Education
		K-12	Pre-K	Total	
1994	\$172,539,257	34,544	-	34,544	\$4,995
1995	\$181,253,353	34,613	-	34,613	\$5,237
1996	\$187,573,884	35,059	-	35,059	\$5,350
1997	\$199,757,210	35,677	784	36,461	\$5,479
1998	\$207,044,099	35,923	912	36,835	\$5,621
1999	\$219,992,565	35,709	1,120	36,829	\$5,973
2000	\$231,538,811	35,326	1,152	36,478	\$6,347
2001	\$239,301,631	35,000	1,152	36,152	\$6,619
2002	\$245,188,608	34,268	1,152	35,420	\$6,922
2003	\$251,565,368	34,349	1,152	35,501	\$7,086
2004	\$260,460,046	34,030	1,152	35,182	\$7,403
2005	\$282,762,068	33,762	1,152	34,914	\$8,099
2006	\$291,657,947	33,262	1,052	34,314	\$8,500
2007	\$310,627,587	(a)	32,962	1,052	34,014
2008	\$317,167,279	(a)	32,462	1,052	33,514

(a) Projected expenditures

(b) Student membership is average daily membership for the year. FY 2007/2008 membership is estimated. Pre-kindergarten membership excludes students enrolled in classes funded by Federal Title I funds.

Enrollment Projections (K-12)



Fiscal Year	Projected Enrollment
FY 2006	33,835
FY 2007	33,352
FY 2008	32,794
FY 2009	32,155
FY 2010	31,561
FY 2011	31,161
FY 2012	30,711
FY 2013	30,532
FY 2014	30,499
FY 2015	30,460
FY 2016	30,454
FY 2017	30,463
FY 2018	30,446

METHODOLOGY

A model for long-range student enrollment projections is based upon survival ratios, adjustments for births, and new student to come from residential development. Survival ratios for each grade and year were calculated from historical and current enrollment. In most instances, these ratios are less than one - meaning that some students either move out of the district, transfer to a private school, or are not promoted. To remove some of the year-to-year variation, three year weighted survival ratios was used.

Source: Norfolk Public Schools Department of Research, Testing and Statistics

STATE INCENTIVES FOR PRIMARY CLASS SIZE REDUCTIONS

Elementary School	2005-06 Free Lunch Eligibility Percentage	State Target for Pupil-Teacher Ratio	Expected Pupil-Teacher Ratio Budgeted	Maximum Class Size	Average Class Size Expected
Bay View	4%	19:1	19:1	24	22
Bowling Park	76%	15:1	15:1	20	14*
Caicott	38%	19:1	19:1	24	22
Camp Allen	56%	19:1	19:1	24	23
Campostella	91%	14:1	14:1	19	17*
Chesterfield	81%	16:1	16:1	21	16*
Coleman Place	75%	17:1	17:1	22	20
Crossroads	62%	18:1	18:1	23	21
Fairlawn	58%	19:1	19:1	24	21
Ghent	30%	20:1	20:1	25	23
Granby	58%	18:1	18:1	23	20
Ingleside	65%	18:1	18:1	23	22
Jacox	93%	14:1	14:1	19	16*
Larchmont	30%	19:1	19:1	24	21
Larrymore	50%	19:1	19:1	24	22
Lindenwood	91%	14:1	14:1	19	16*
Little Creek	62%	17:1	17:1	21	21
Monroe	91%	14:1	14:1	21	16*
Norview	74%	17:1	17:1	21	20
Oakwood	79%	17:1	17:1	21	15
Ocean View	57%	18:1	18:1	23	21
Oceanair	66%	18:1	18:1	22	21
Poplar Halls	58%	19:1	19:1	24	19
Roberts Park	77%	14:1	14:1	19	16*
Sewells Point	58%	20:1	20:1	24	22
Sherwood Forest	55%	19:1	19:1	24	22
St Helena	77%	16:1	16:1	23	15*
Suburban Park	65%	18:1	18:1	23	21
Tanners Creek	63%	18:1	18:1	23	21
Tarrallton	43%	20:1	20:1	24	20
Taylor	28%	20:1	20:1	24	20
Tidewater Park	93%	14:1	14:1	19	14*
Willard	52%	19:1	19:1	24	21
Willoughby	61%	19:1	19:1	24	18
Young Park	96%	14:1	14:1	19	15*

* Includes four federal class reduction teachers for grades K-3.

School Board for the City of Norfolk
Facility Information for Schools
As of 2002

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Renovations and Additions	Age
Granby High	1939	292,294	25.0	0	1997-1998	4 (63)
Lake Taylor High	1967	261,000	44.7	1	1974	35
Maury High	1910	265,000	9.8	0	1988	14
Norview High	1954	141,260	27.0	11		48
B.T. Washington High	1974	265,000	30.0	0		28
Average Age						25.8
Azalea Middle	1961	120,374	21.1	3		41
Blair Middle	1922	142,400	7.4	13		80
Lafayette-Winona Middle	1991	140,000	14.1	8		11
Lake Taylor Middle	1965	83,240	20.0	6		37
Northside Middle	1956	122,675	14.5	10		46
Norview Middle	1995	152,000		0		7
Rosemont Middle	1959	126,028	18.5	0		43
Ruffner Middle	1994	146,000	10.52	0		8
Average Age						34.125
Bay View Elementary	1922	83,095	9.4	0	1999	3
Bowling Park Elementary	1953	54,325	12.3	5	1954	49
Calcott Elementary	1952	65,100	12.0	2	1954	50
Camp Allen Elementary	1970	69,200	14.0	0	1984	32
Campostella Elementary	1963	95,970	21.2	0		39
Chesterfield Academy	1953	58,750	12.3	12	1971	49
Coleman Place Elementary	1924	50,060	9.0	10	1953, 1965	78
Crossroads Elementary	1946	49,150	12.0	2	1956, 1965	56
Fairlawn Elementary	1959	42,600	16.4	9	1961	43
Ghent Elementary	1978	60,800	13.0	0		24
Granby Elementary	1948	82,081	9.0	0	1989	54

() Age of the Original Structure

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Additions	Age
Ingleside Elementary	1954	58,500	16.0	3		48
Jacox Elementary	1949	79,200	11.7	4		53
Larchmont Elementary	1929	47,300	23.0	0	1977	73
Larrymore Elementary	1957	63,900	13.0	0	1964	45
Lindenwood Elementary	1953	54,900	9.5	3	1965	49
Little Creek Elementary	1954	56,795	17.0	8		48

School Board for the City of Norfolk
Facility Information for Schools
As of 2002

Location	Year Built	Square Foot	Site Acreage	Mobile Units	Additions	
Little Creek Primary	1957	44,500		1		45
Monroe Elementary	1990	64,000	12.8	0		12
Norview Elementary	1952	57,640	14.2	14	1953	50
Oakwood Elementary	1952	40,000	14.5	1	1961	50
Ocean View Elementary	1939	56,150	20.5	2		63
Oceanair Elementary	1956	56,500	17.7	8		46
Poplar Halls Elementary	1959	44,400	17.8	3	1961	43
Robers Park Elementary	1964	40,355	5.5	2		38
St. Helena Elementary	1966	36,074	13.2	1		36
Sewells Point Elementary	1966	60,260	8.9	6	1984	36
Sherwood Forest Elementary	1957	66,340	13.3	4	1989	45
Suburban Park Elementary	1955	61,980	15.0	0	1988	47
Tanners Creek Elementary	1990	83,000	9.0	0		12
Tarrallton Elementary	1964	46,300	15.2	1		38
Taylor Elementary	1998	54,786	2.8	0	1998	4
Tidewater Park Elementary	1964	39,675	8.3	6		38
Willard Elementary	1952	80,925	12.0	0	1990	50
Willoughby Elementary	1967	58,400	12.0	0		35
Young Park Elementary	1954	55,325	8.0	0		48
Average Age						42.47
Location	Year Built	Square Foot	Site Acreage	Mobile Units	Additions	Age
Tucker	1942	3,000	5.0	0		60
Berkley/Campostella ECC	1953	46,453	10.6	0	1991	49
Camp Young	1946	27,398	30.0	0		56
Coronado	1959	13,280	2.2	1		43
Easton Preschool	1959	37,500	11.7	0	1961	43
Madison Career Center	1919	75,501	3.0	1	1921	83
Meadowbrook	1925	48,029	2.0	0	1937, 1954	77
Nofolk Skills Center	1950	26,135	3.1	0		52
Norfolk Technical Center	1968	135,390	29.5	0	1971	34
Ballentine	1916	38,700	9.8	0	1965	86
Stuart Gifted & ECC	1920	62,600	4.8	0	1923, 1966, 1969	82
Bellmore	1968	77,028	3.9	1		34
Average Age						58.25
Average Age of All Buildings		39.75				
Total Number of Acres		803.2				
Total Number of Square Feet		4,993,621				
Total Number of Mobile Units		165				

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Financial Trends Information
Schedule 1
Net Assets by Category
Last Six Fiscal Years
(Amounts in thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental Activities:						
Invested in capital assets, net of related debt	\$ 537,356	\$ 470,451	\$ 411,993	\$ 403,577	\$ 391,392	\$ 332,988
Restricted	72,938	35,753	55,786	6,788	6,605	6,731
Unrestricted	34,968	72,904	86,959	91,869	96,705	127,479
Subtotal governmental activities net assets	<u>645,262</u>	<u>579,108</u>	<u>554,738</u>	<u>502,234</u>	<u>494,702</u>	<u>467,198</u>
Business-Type activities:						
Invested in capital assets, net of related debt	128,521	195,799	223,018	237,044	259,198	268,503
Restricted	46,861	37,216	36,041	-	-	2,526
Unrestricted	85,619	39,277	20,293	48,563	43,383	34,373
Subtotal business-type activities net assets	<u>261,001</u>	<u>272,292</u>	<u>279,352</u>	<u>285,607</u>	<u>302,581</u>	<u>305,402</u>
Primary Government:						
Invested in capital assets, net of related debt	665,877	666,250	635,011	640,621	650,590	601,491
Restricted	119,799	72,969	91,827	6,788	6,605	9,257
Unrestricted	120,587	112,181	107,252	140,432	140,088	161,852
Total primary government net assets	<u>906,263</u>	<u>851,400</u>	<u>834,090</u>	<u>787,841</u>	<u>797,283</u>	<u>772,600</u>

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Financial Trends Information
Schedule 2
Changes In Net Assets
Last Six Fiscal Years
(Amounts in thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Program Revenues						
Governmental Activities:						
Charges for Services						
General Government	\$ 108	\$ 449	\$ 551	\$ 775	\$ 1,230	\$ 2,450
Judicial Administration	10	191	402	498	200	778
Public Safety	2,410	6,282	6,727	11,608	13,041	2,708
Public Works	13,896	16,394	16,829	9,081	10,121	24,181
Health and Public Assistance	119	159	154	130	134	101
Culture and Recreation	1,763	5,907	6,668	7,034	6,198	6,126
Community Development	6	7	11	5	1,063	907
Operating Grants and Contributions	93,270	123,596	105,466	116,399	116,827	115,779
Total governmental activities program revenue	<u>111,582</u>	<u>152,985</u>	<u>136,808</u>	<u>145,530</u>	<u>148,814</u>	<u>153,030</u>
Business-type activities:						
Charges for Services						
Water	59,318	63,785	60,964	61,002	74,218	69,816
Wastewater	13,389	14,615	18,633	21,329	22,375	22,314
Parking Facilities	18,355	18,574	21,354	21,059	20,911	21,599
Capital Grants and Contributions	355	254	205	-	78	731
Total business-type activities program revenues	<u>91,417</u>	<u>97,228</u>	<u>101,156</u>	<u>103,390</u>	<u>117,582</u>	<u>114,460</u>
Total primary government program revenues	<u>202,999</u>	<u>250,213</u>	<u>237,964</u>	<u>248,920</u>	<u>266,396</u>	<u>267,490</u>
Expenses						
Governmental activities:						
General Government	48,062	83,311	86,081	74,344	94,763	113,279
Judicial Administration	8,987	10,856	36,635	40,319	42,494	46,944
Public Safety	122,252	117,488	99,975	107,531	106,705	111,803
Public Works	96,894	103,319	124,833	144,438	109,907	119,176
Health and Public Assistance	62,062	70,665	77,668	84,173	91,443	93,775
Culture and Recreation	46,945	44,758	42,495	46,267	44,933	52,965
Community Development	17,218	19,806	10,471	16,974	14,930	14,772
Education	83,883	88,854	90,020	91,865	92,595	97,595
Interest on Long-term Debt	18,536	18,088	17,461	18,516	19,565	19,618
Intergovernmental	7,932	8,061	6,140	-	-	-
Total government activities expenses:	<u>512,771</u>	<u>565,206</u>	<u>591,779</u>	<u>624,427</u>	<u>617,335</u>	<u>669,927</u>
Business-type activities:						
Water	53,712	54,382	60,069	60,207	62,009	60,511
Wastewater	11,379	10,963	11,754	11,957	15,448	17,377
Parking Facilities	14,298	15,834	16,869	18,640	18,356	18,861
Total business-type activities expenses	<u>79,389</u>	<u>81,179</u>	<u>88,692</u>	<u>90,804</u>	<u>95,813</u>	<u>96,749</u>
Total primary government expenses	<u>592,160</u>	<u>646,385</u>	<u>680,471</u>	<u>715,231</u>	<u>713,148</u>	<u>766,676</u>
Net (Expense) Revenue						
Governmental activities	(401,189)	(412,221)	(454,971)	(478,897)	(468,521)	(516,897)
Business-type activities	12,028	16,049	12,464	12,586	21,769	17,711
Total Primary Government Net Expense	<u>(389,161)</u>	<u>(396,172)</u>	<u>(442,507)</u>	<u>(466,311)</u>	<u>(446,752)</u>	<u>(499,186)</u>

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Financial Trends Information
Schedule 2-1
Changes in Net Assets
Last Six Fiscal Years
(Amounts in thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Tax						
Real Estate	\$ 158,871	\$ 168,731	\$ 181,446	\$ 193,156	\$ 217,787	\$ 241,315
Sales and Use	-	-	-	29,497	30,652	32,402
Consumption Utility	-	-	-	43,387	43,337	42,586
Business Licenses	-	-	-	22,015	24,412	25,268
Motor Vehicle Licenses	-	-	-	2,605	3,576	3,529
Cigarette	-	-	-	6,948	6,819	6,957
Restaurant Food	-	-	-	26,669	27,277	28,578
Franchise, Admission, Recordation and Other Miscellaneous Local	-	-	-	19,356	21,544	19,800
Other *	127,262	132,847	140,675	-	-	-
Interest and Investment earnings	5,566	3,018	2,377	4,916	7,306	6,536
Grants and contributions not restricted to specific programs	60,367	60,472	77,601	68,219	68,133	66,524
Miscellaneous	12,003	7,986	18,504	8,496	15,851	4,845
Gain (Loss) on disposal of assets	625	4,025	-	-	3,249	65
Transfers between governmental and business-type activities	8,000	8,500	10,000	10,000	11,868	10,988
Total governmental activities:	<u>372,694</u>	<u>385,579</u>	<u>430,603</u>	<u>435,264</u>	<u>481,811</u>	<u>489,393</u>
Business-Type activities:						
Interest and Investment earnings	941	816	609	864	3,161	2,739
Grants and contributions not restricted to specific programs	-	-	-	-	-	333
Unrealized Gain (Loss) on Investments	-	25	(640)	-	-	-
Miscellaneous	3,660	2,780	4,624	3,657	3,911	3,554
Gain (Loss) on disposal of assets	415	121	-	(852)	-	(6)
Transfers between governmental and business-type activities	(8,000)	(8,500)	(10,000)	(10,000)	(11,868)	(10,988)
Total business-type activities	<u>(2,984)</u>	<u>(4,758)</u>	<u>(5,407)</u>	<u>(6,331)</u>	<u>(4,796)</u>	<u>(4,368)</u>
Total Primary Governmental Activities	<u>369,710</u>	<u>380,821</u>	<u>425,196</u>	<u>428,933</u>	<u>477,015</u>	<u>485,025</u>
Change in Net Assets						
Governmental activities	(28,495)	(26,642)	(24,368)	(43,633)	13,290	(27,504)
Business-type activities	9,044	11,291	7,057	6,255	16,973	13,343
Total Primary Government Net Assets	<u>(19,451)</u>	<u>(15,351)</u>	<u>(17,311)</u>	<u>(37,378)</u>	<u>30,263</u>	<u>(14,161)</u>

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.
2. *All taxes listed except real estate taxes were reported as "other" on the CAFR prior to fiscal year 2005.

(UNAUDITED)

School Board for the City of Norfolk
 City of Norfolk - Financial Trends Information
 Schedule 3
Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (Amounts in Thousands)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 13,536	\$ 13,625	\$ 12,309	\$ 12,142	\$ 14,913	\$ 8,317	\$ 8,152	\$ 14,172	\$ 16,057	\$ 17,223
Unreserved	34,980	30,548	39,836	60,569	53,053	49,789	53,948	54,007	66,619	71,056
Total General Fund	<u>48,516</u>	<u>44,173</u>	<u>52,145</u>	<u>72,711</u>	<u>67,966</u>	<u>58,106</u>	<u>62,100</u>	<u>68,179</u>	<u>82,676</u>	<u>88,279</u>
Capital Projects Fund										
Reserved	22,095	12,672	22,685	23,294	40,849	51,259	80,034	82,373	20,885	48,894
Unreserved	23,196	2,748	2,616	11,755	1,009	7,200	14,132	3,394	-	15,424
Total Capital Projects Fund	<u>45,291</u>	<u>15,420</u>	<u>25,301</u>	<u>35,049</u>	<u>41,858</u>	<u>58,459</u>	<u>94,166</u>	<u>85,767</u>	<u>20,885</u>	<u>64,318</u>
All Other Governmental Funds										
Reserved	17,344	14,412	17,877	19,577	17,177	8,089	10,509	27,161	19,075	20,123
Unreserved	(15,343)	(12,824)	(16,669)	(17,230)	1,254	14,833	14,058	3,992	17,131	24,211
Total Other Governmental Funds	<u>2,001</u>	<u>1,588</u>	<u>1,208</u>	<u>2,347</u>	<u>18,431</u>	<u>22,922</u>	<u>24,567</u>	<u>31,153</u>	<u>36,206</u>	<u>44,334</u>
Total Fund Balance, Governmental Funds	\$ 95,808	\$ 61,181	\$ 78,654	\$ 110,107	\$ 128,255	\$ 139,487	\$ 180,833	\$ 185,099	\$ 139,767	\$ 196,931

School Board for the City of Norfolk
City of Norfolk - Financial Trends Information
Schedule 4
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

	Fiscal Year										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Revenues											
General Property Taxes	\$ 147,228	\$ 147,831	\$ 152,062	\$ 153,366	\$ 159,512	\$ 168,893	\$ 178,361	\$ 193,293	\$ 211,788	\$ 235,399	
Other Local Taxes	106,499	111,212	119,107	126,537	127,262	132,847	140,675	150,477	157,616	159,119	
Licenses and Permits	2,080	2,505	2,943	2,601	2,700	2,973	3,204	3,542	4,088	4,071	
Fines and Forfeitures	1,772	1,920	1,661	1,684	1,541	1,569	1,627	1,763	1,461	1,605	
Use of Money and Property	9,160	8,785	10,275	11,361	11,247	8,791	8,333	10,232	10,498	11,105	
Charges for Services	18,491	19,658	18,836	18,745	18,312	29,390	31,342	29,129	32,772	37,071	
Miscellaneous	15,201	18,621	13,990	13,681	12,337	24,785	17,339	18,951	33,494	11,691	
Recovered Costs	14,468	11,139	12,338	14,135	10,008	9,556	12,297	14,188	12,667	8,408	
Intergovernmental	98,019	107,896	133,526	122,677	133,332	131,071	160,118	147,045	149,757	1	
										156,636	
Total Revenue	412,918	429,567	464,738	464,787	476,251	509,875	553,296	568,620	614,141	625,106	
Expenditures											
Current											
General Government	43,942	42,499	50,770	50,671	44,126	64,639	76,127	67,434	92,062	102,031	
Judicial Administration	8,336	8,046	8,969	7,987	8,790	9,280	35,603	38,110	41,795	45,173	
Public Safety	91,001	94,113	96,542	101,523	115,912	123,202	94,979	102,278	105,634	108,565	
Public Works	29,475	34,153	36,792	36,817	56,124	57,162	80,613	64,497	46,959	49,161	
Health and Public Assistance	60,788	64,993	72,609	56,967	61,601	68,140	76,221	83,451	91,535	93,397	
Culture and Recreation	38,750	46,186	45,088	46,032	40,849	40,149	40,081	40,290	42,995	46,397	
Education	75,446	82,039	79,033	80,883	83,883	88,854	90,020	91,865	92,595	97,595	
Community Development	16,970	19,627	22,970	22,549	16,945	17,673	8,048	12,716	13,552	11,158	
Debt Services:											
Principal Retirement	29,493	27,280	29,493	32,065	31,177	32,450	32,731	47,407	37,660	35,872	
Interest and Other Charges	20,094	18,405	18,906	19,056	17,460	15,998	16,820	18,061	18,802	18,917	
Intergovernmental	8,203	6,923	5,950	7,807	7,932	8,061	6,140	-	-	-	
Capital Outlay	37,296	35,263	17,912	27,488	30,516	37,770	45,026	85,144	91,632	94,595	
Total Expenditures	459,794	479,527	485,034	489,845	515,315	563,378	602,409	651,253	675,221	702,861	
Excess (Deficiency) of Revenues over(under) Expenditures	(46,876)	(49,960)	(20,296)	(25,058)	(39,064)	(53,503)	(49,113)	(82,633)	(61,080)	(77,755)	
Other Financing Sources (Uses)											
Proceeds of Refunding Bonds	30,367	-	-	-	-	31,123	83,219	30,389	-	15,480	
Proceeds of Capital Leases	2,493	2,938	4,975	6,667	2,184	7,503	4,430	4,702	4,828		
Proceeds of Debt (General Obligation Bonds and Notes)	37,873	2,573	22,544	25,470	56,179	47,695	69,685	70,840	-	121,705	
Payment to Refunded Bonds Escrow Agent	(30,367)	-	-	-	(30,452)	(31,123)	(83,219)	(30,389)	-	(15,480)	
Premium on Bonds Issued	-	-	-	-	-	-	389	2,259	-	2,070	
Miscellaneous	-	193	-	-	-	(2,989)	(7)	-	(122)	66	
Proceeds from sale or disposal of fixed assets	923	564	1,207	12,968	-	4,025	1,062	-	-	-	
Operating Transfers In	71,780	70,208	69,276	76,514	72,913	78,637	75,587	82,354	97,185	89,254	
Operating Transfers (Out)	(62,971)	(60,759)	(59,826)	(64,718)	(64,913)	(70,137)	(65,587)	(72,354)	(86,142)	(78,176)	
Total Other Financing Sources (Users)	50,098	15,717	38,176	56,901	35,911	64,734	85,559	87,801	15,749	134,919	
Net change in fund balances	\$ 3,222	\$ (34,243)	\$ 17,880	\$ 31,843	\$ (3,153)	\$ 11,231	\$ 36,446	\$ 5,168	\$ (45,331)	\$ 57,164	
Debt services as a percentage of noncapital Expenditures	11.74%	10.28%	10.36%	11.06%	10.03%	9.22%	8.89%	11.56%	9.67%	9.01%	

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Financial Trends Information
Schedule 5
Program Revenues by Function (Optional Schedule)
Last Six Fiscal Years
(Amounts in thousands)

Function/Program	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental Activities:						
General Government	\$ 11,272	\$ 43,823	\$ 15,945	\$ 25,544	\$ 24,802	\$ 16,614
Judicial Administration	4,466	4,482	17,960	19,423	19,605	27,904
Public Safety	22,128	23,941	12,832	19,822	20,674	8,137
Public Works	31,670	34,082	40,783	28,440	30,438	44,769
Health and Public Assistance	34,127	34,453	36,733	39,064	39,930	42,261
Culture and Recreation	6,097	10,225	10,221	9,956	9,603	9,655
Community Development	1,822	1,979	2,334	3,281	3,762	3,690
Subtotal governmental activities program revenue	111,582	152,985	136,808	145,530	148,814	153,030
Business-type activities:						
Water	59,389	64,039	61,126	61,002	74,277	70,411
Wastewater	13,673	14,615	18,676	21,329	22,394	22,450
Parking Facilities	18,355	18,574	21,354	21,059	20,911	21,599
Subtotal business-type activities program revenues	91,417	97,228	101,156	103,390	117,582	114,460
Total primary government program revenues	\$ 202,999	\$ 250,213	\$ 237,964	\$ 248,920	\$ 266,396	\$ 267,490

Note:

1. The earliest data available for this schedule is as of June 30, 2002, the year in which the City adopted GASB 34.

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Financial Trends Information
Schedule 6
Total Revenue by Source, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Year	General Property Taxes	Other Local Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Misc	Recovered Costs	Inter-Governmental Revenues	Total
1998	147,228	106,499	2,080	1,772	9,160	18,491	15,201	14,468	98,019	412,918
1999	147,831	111,212	2,505	1,920	8,785	19,658	18,621	11,139	107,896	429,567
2000	152,062	119,107	2,943	1,661	10,275	18,836	13,990	12,338	133,526	464,738
2001	153,366	126,537	2,601	1,684	11,361	18,745	13,681	14,135	122,677	464,787
2002	159,512	127,262	2,700	1,541	11,247	18,312	12,337	10,008	133,332	476,251
2003	168,893	132,847	2,973	1,569	8,791	29,390	24,785	9,556	131,071	509,875
2004	178,361	140,675	3,204	1,627	8,333	31,342	17,339	12,297	160,118	553,296
2005	193,293	150,477	3,542	1,763	10,232	29,129	18,951	14,188	147,045	568,620
2006	211,788	157,616	4,088	1,461	10,498	32,772	33,494	12,667	149,757	614,141
2007	235,399	159,119	4,071	1,605	11,105	37,071	11,692	8,408	156,636	625,106
Change 1998-2007	59.9%	49.4%	95.7%	-9.4%	21.2%	100.5%	-23.1%	-41.9%	59.8%	51.4%

School Board for the City of Norfolk
City of Norfolk - Other Local Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Year	Sales and Use Taxes	Consumer's Utility Taxes	Business License Taxes	Motor Vehicle Licenses	Cigarette Taxes	Restaurant Food Taxes	Other	Total
1998	21,023	33,853	14,818	3,112	4,507	15,003	14,183	106,499
1999	22,602	33,189	15,932	3,308	4,918	15,677	15,586	111,212
2000	24,321	34,224	18,095	3,391	3,940	17,066	18,070	119,107
2001	25,496	38,988	18,352	3,479	4,122	18,759	17,341	126,537
2002	25,267	37,922	18,644	3,554	4,280	19,288	18,307	127,262
2003	25,854	37,930	18,472	3,462	4,220	21,680	21,229	132,847
2004	27,867	39,231	20,279	3,456	7,639	21,808	20,395	140,675
2005	29,497	39,371	22,015	2,605	6,948	22,550	27,491	150,477
2006	30,652	43,337	24,412	3,576	6,819	27,277	21,543	157,616
2007	32,402	42,586	25,268	3,529	6,957	28,578	19,799	159,119
Change 1998-2007	54.13%	25.80%	70.52%	13.40%	54.36%	90.48%	39.60%	49.41%

Note:

1. This table presents additional details on other local taxes presented in the Table above.

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Revenue Capacity
Schedule 1
Assessed Valuations and Estimated Actual Values of Taxable Property
Last Ten Years
(in thousands)

Year	Real Property	Personal Property	Other Property	Total Taxable Assessed Value	Estimate Actual Taxable Value
1998	7,619,379	848,103	200,879	8,668,361	14,673,363
1999	7,934,397	900,076	219,963	9,054,436	15,145,054
2000	8,098,113	1,023,626	203,300	9,325,039	15,668,692
2001	8,458,281	1,040,929	228,874	9,728,084	16,119,540
2002	8,882,064	1,102,983	219,845	10,204,892	16,794,801
2003	9,356,760	1,085,027	300,481	10,742,268	17,864,127
2004	10,029,639	1,170,117	283,544	11,483,300	19,406,095
2005	10,960,812	1,167,673	310,519	12,439,004	21,576,347
2006	12,691,527	1,324,320	316,471	14,332,318	25,196,622
2007	15,607,512	1,488,338	210,431	17,306,281	29,424,339

Notes:

1. Real property and personal property includes both general and public service corporations.
2. Other property includes machinery and tools, mobile homes, airplanes and boats.
3. Estimated actual taxable property values are based on data supplied by the City's Commissioner of Revenue and the City Assessor. Property value information does not include property of public service corporations or vacant land.

School Board for the City of Norfolk
City of Norfolk - Revenue Capacity
Schedule 2
Direct Property Rates
Last Ten Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Property tax rate per \$100 of assessed value:										
Real property										
Business Improvement District	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.35	\$ 1.27
N/A	0.24	0.20	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18
Personal property	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Machinery and tools	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Mobile homes	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.35	1.27
Airplanes	3.20	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	1.60	1.50	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Boats (business)	1.60	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	N/A	2.00	2.00	2.00	2.00	1.50	1.50	1.50	1.50	1.50
Disabled Veterans	N/A	N/A	N/A	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Assessed value of real property as a percent of fair market value:										
As determined by the City Assessor										
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
As determined by the Commonwealth's Department of Taxation										
94%	93%	90%	90%	88%	88%	86%	65%	76%	N/A	

Notes:

1. Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county government since they are located outside of any county boundaries.
2. The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 1997 through 2006.
3. The most recent Virginia Assessment/Sales ratio study is for 2004.

N/A - Not available

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Revenue Capacity
Schedule 3
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	1998			2007		
	Real Property		Percentage of Total Assessed Value	Real Property		Percentage of Total Assessed Value
	Taxable Assessed Value	Rank	Taxable Assessed Value	Taxable Assessed Value	Rank	Taxable Assessed Value
Bell Atlantic Virginia, Inc.	193,580,871	1	2.54%			
Virginia Power Co.	165,733,572	2	2.18%	140,314,736	2	0.90%
Norfolk Southern Corporation	70,812,803	3	0.93%	77,775,444	6	0.50%
Nationsbank	58,981,810	4	0.77%			
Military Circle Ltd. Partnership	57,205,620	5	0.75%	63,475,500	7	0.41%
Taubmann Co	54,800,110	6	0.72%		3	0.00%
Ford Motor Company	45,611,640	7	0.60%	81,445,000	5	0.52%
Three Commercial Place Assoc.	30,977,980	8	0.41%			
Dominion Tower Ltd. Partnership	37,260,010	9	0.49%	54,220,500	8	0.35%
World Trade Center	28,425,460	10	0.37%			
Bank of America				81,573,800	4	0.52%
Norfolk Hotel Assoc. (Marriot)				44,688,400	10	0.29%
Mac Arthur Shopping Center LLC				164,793,100	1	1.06%
Cox Virginia Telecom				49,858,200	9	0.32%
Verizon Virginia, Inc.				114,147,696	3	0.73%
Total	<u>743,389,876</u>		<u>9.76%</u>	<u>872,292,376</u>		<u>5.59%</u>
Total Assessed Value	\$ 7,619,378,308			\$ 15,607,511,904		

Note:

1. Information obtained from the City's Real Estate Assessor's Office.

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Revenue Capacity
Schedule 4
Property Tax Levy and Collections
Last Ten Years
(in thousands)

Year	Total Tax Levy	Current Collections	Percentage of Current Collections to Tax Levy	Delinquent Collections	Total Collections	Percentage of Total Collections to Tax Levy
1998	144,794	134,889	93.16%	10,727	145,616	100.57%
1999	150,747	136,668	90.66%	11,068	147,736	98.00%
2000	158,268	145,772	92.10%	14,865	160,637	101.50%
2001	164,289	151,921	92.47%	13,501	165,422	100.69%
2002	171,755	158,914	92.52%	12,883	171,797	100.02%
2003	179,220	164,482	91.78%	18,724	183,206	102.22%
2004	191,397	178,200	93.10%	15,821	194,021	101.37%
2005	209,202	191,254	91.42%	8,549	199,803	95.51%
2006	227,796	223,967	98.32%	8,526	232,493	102.06%
2007	254,703	239,288	93.95%	10,097	249,385	97.91%

Notes:

1. Delinquent tax collections are reported in the year collected.

School Board for the City of Norfolk
City of Norfolk - Debt Capacity Information

Schedule 1

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Amount in Thousands)

Fiscal Year	General Obligation Bonds *	General Obligation Notes	Revenue Bonds	Total Outstanding Debt	Outstanding Debt per Capita (Actual)	% of Personal Income	Debt to Net Asset Ratio
Governmental Activities							
1998	391,857	3,630	-	395,487	1,685	5.41%	N/A
1999	367,137	3,234	-	370,371	1,579	5.98%	N/A
2000	360,345	3,157	-	363,502	1,551	6.48%	N/A
2001	353,917	2,755	-	356,672	1,524	6.98%	N/A
2002	348,296	2,297	-	350,593	1,501	7.30%	1.84
2003	361,656	1,726	-	363,382	1,554	7.45%	1.59
2004	398,606	1,110	-	399,716	1,699	7.18%	1.39
2005	421,008	250	-	421,258	1,789	7.25%	1.19
2006	382,773	239	-	383,012	1,622	N/A	1.29
2007	469,498	227	-	469,725	1,943	N/A	0.99
Business-Type Activities							
1998	155,078	-	261,900	416,978	1,777	5.13%	N/A
1999	141,668	-	330,030	471,698	2,012	4.69%	N/A
2000	128,007	-	347,620	475,627	2,029	4.95%	N/A
2001	114,528	-	357,240	471,768	2,016	5.27%	N/A
2002	112,050	-	360,635	472,685	2,023	5.42%	0.55
2003	99,220	-	370,855	470,075	2,010	5.76%	0.58
2004	87,636	-	365,464	453,100	1,926	6.33%	0.62
2005	91,520	-	382,689	474,209	2,014	6.44%	0.60
2006	93,099	-	374,159	467,258	1,979	N/A	0.65
2007	107,311	-	364,834	467,258	1,933	N/A	0.65
Total Primary Governmental Activities							
1998	546,935	3,630	261,900	812,465	3,462	10.55%	N/A
1999	508,805	3,234	330,030	842,069	3,591	10.67%	N/A
2000	488,353	3,157	347,620	839,130	3,580	11.43%	N/A
2001	468,445	2,755	357,240	828,440	3,540	12.25%	N/A
2002	460,346	2,297	360,635	823,278	3,524	12.72%	1.10
2003	460,876	1,726	370,855	833,457	3,563	13.22%	1.02
2004	486,242	1,110	365,464	852,816	3,626	13.51%	0.98
2005	512,528	250	382,689	895,467	3,802	13.68%	0.88
2006	475,872	239	374,159	850,270	3,601	N/A	0.94
2007	576,809	227	364,834	936,983	3,876	N/A	0.82

Notes:

* Includes a Section 108 loan with the Department of Housing and Urban Development (HUD) in the amount of \$13,000,000. Revenues from the Broad Creek Tax Increment Financing (TIF) District are the primary revenue pledge to support the bonds's debt service. In Virginia, this TIF pledge constitutes a general obligation when determining the City's legal debt margin.

N/A - not available

- Population is detailed in Debt Capacity Information Schedule 2.

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Debt Capacity Information
Schedule 2
Ratio of Net General Bonded Debt
Total Assessed Value and Net Bonded Debt Per Capital
Last Ten Years

Year	Gross Bonded Debt (in thousands)	Debt Payable from Enterprise Revenue (in thousands)	Net Bonded Debt (in thousands)	Assessed Value of Taxable Property (in thousands)	Population	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt per Capita
1998	546,935	155,078	391,857	8,668,361	234,700	4.52%	1,670
1999	508,805	141,668	367,137	9,054,436	234,500	4.05%	1,566
2000	488,353	128,007	360,346	9,325,039	234,403	3.86%	1,537
2001	468,445	114,528	353,917	9,728,084	234,000	3.64%	1,512
2002	460,346	112,050	348,296	10,204,892	233,600	3.41%	1,491
2003	460,876	99,220	361,656	10,742,268	233,900	3.37%	1,546
2004	486,242	87,636	398,606	11,483,300	235,200	3.47%	1,695
2005	512,528	91,520	421,008	12,439,004	235,071	3.38%	1,791
2006	475,872	93,099	382,773	14,332,318	236,092	2.67%	1,621
2007	576,809	107,311	469,498	15,496,208	241,727	3.03%	1,942

Notes:

1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.
2. Population from Weldon & Cooper Center for Public Services.

School Board for the City of Norfolk
City of Norfolk - Debt Capacity Information
Schedule 3
Computation of Direct Bonded Debt
June 30, 2007

Jurisdiction	Net Bonded Debt Outstanding	% Applicable to Government	\$ Applicable to Government
Direct:			
City of Norfolk	\$ 469,498	100%	\$ 469,498

Notes:

1. Enterprise Funds are excluded
2. There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county since they are located outside of any county boundaries.

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Debt Capacity Information
Schedule 4
Legal Debt Margin
June 30

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total assessed value of real property	\$ 7,619,378,308	\$ 7,934,397,295	\$ 8,098,113,173	\$ 8,458,280,938	\$ 8,882,063,788	\$ 9,356,759,552	\$ 10,029,638,801	\$ 10,960,812,421	\$ 12,691,527,668	\$ 15,496,207,804
Overall Debt Limitation - 10% of Assessed Valuation	761,937,831	793,439,730	809,811,317	845,828,094	888,206,379	935,675,955	1,002,963,880	1,096,081,242	1,269,152,767	1,549,620,780
Net Debt Applicable to Debt Limitatio	546,935,001	512,105,001	491,197,246	471,745,246	463,645,861	464,176,270	* 489,541,678	514,905,063	478,467,462	579,224,191
Legal Debt Margin Within 10% Limitation	215,002,830	281,334,729	318,614,071	374,082,848	424,560,518	471,499,685	513,422,202	581,176,179	790,685,305	970,396,589
Net Debt Percentage of 10% Limitatio	71.78%	64.54%	60.66%	55.77%	52.20%	49.61%	48.81%	46.98%	37.70%	37.38%

(UNAUDITED)

**School Board for the City of Norfolk
City of Norfolk - Debt Capacity Information
Schedule 5**
Revenue Bonds Debt Service Coverage
Water Utility Fund
Last Ten Fiscal Years

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service Principal	Interest	Total	Coverage
1998	59,477,607	28,105,154	31,372,453	2,805,000	9,867,113	12,672,113	2.48
1999	73,326,682	26,067,025	47,259,657	3,113,577	11,325,353	14,438,930	3.27
2000	64,456,322	28,198,244	36,258,078	4,475,000	13,616,718	18,091,718	2.00
2001	64,459,300	29,732,203	34,727,097	4,680,000	13,411,636	18,091,636	1.92
2002	63,681,665	29,021,459	34,660,206	4,890,000	14,090,180	18,980,180	1.83
2003	67,760,029	30,867,286	36,892,743	5,700,000	14,600,283	20,300,283	1.82
2004	64,366,942	36,623,654	27,743,288	5,955,000	14,336,043	20,291,043	1.37
2005	69,183,154	37,584,692	31,598,462	6,250,000	14,041,059	20,291,059	1.56
2006	78,788,158	37,086,776	41,701,382	6,580,000	14,827,960	21,407,960	1.95
2007	76,013,563	35,050,694	40,962,869	7,310,000	14,379,821	21,689,821	1.89

Notes:

1. Includes operating revenue plus interest income not capitalized.
2. Includes operating expenses less depreciation and amortization.

**School Board for the City of Norfolk
City of Norfolk - Debt Capacity Information
Schedule 6**
Revenue Bonds Debt Service Coverage
Parking Facilities Fund
Last Ten Fiscal Years

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service Total	Coverage
1998	11,193,681	3,666,490	7,527,191	2,888,783	2.61
1999	12,632,071	4,190,415	8,441,656	2,888,783	2.92
2000	15,820,975	5,495,665	10,325,310	4,621,053	2.23
2001	17,246,291	5,706,458	11,539,833	4,964,744	2.32
2002	18,427,725	7,309,883	11,117,842	5,683,455	1.96
2003	18,879,428	7,481,301	11,398,127	5,404,816	2.11
2004	21,614,695	8,503,800	13,110,895	5,683,944	2.31
2005	21,329,936	9,984,289	11,345,647	5,843,555	1.94
2006	21,823,360	9,493,391	12,329,969	6,657,244	1.85
2007	22,348,513	9,297,670	13,050,843	6,467,869	2.02

Notes:

1. Includes operating revenue plus interest income not capitalized.
2. Includes operating expenses less depreciation and amortization.

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Debt Capacity
Schedule 7
Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt
Last Ten Years
to Total General Expenditures

Fiscal Year	Principal on Serial Bonds	Redemption of Other Long-Term Debt	Interest on Serial Bonds	Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
1998	29,493,752	4,015,175	20,093,062	561,239	54,163,228	499,746,145	10.84%
1999	27,280,120	3,603,355	18,403,652	457,573	49,744,700	519,198,080	9.58%
2000	29,492,664	3,772,213	18,905,175	457,573	52,627,625	558,439,186	9.42%
2001	32,064,594	4,138,633	19,055,944	667,364	55,926,535	578,776,772	9.66%
2002	31,177,249	4,221,984	17,459,383	625,397	53,484,013	431,283,578	12.40%
2003	32,449,555	4,270,903	15,993,552	544,262	53,258,272	451,633,988	11.79%
2004	32,735,609	4,988,796	16,781,410	494,610	55,000,425	490,944,275	11.20%
2005	35,752,761	5,157,895	17,623,223	437,894	58,971,773	490,923,834	12.01%
2006	37,659,547	5,886,597	18,824,743	379,498	62,750,385	510,999,836	12.28%
2007	35,871,841	3,666,990	18,168,611	338,085	58,045,527	539,491,519	10.76%

Notes:

1. Total general expenditures include the expenditures of the General Fund and Debt Service Fund.
2. Total general expenditures are presented using the modified accrual basis of accounting.

(UNAUDITED)

School Board for the City of Norfolk, Virginia
City of Norfolk - Demographic and Economic Information
Schedule 1
Population Statistics
Last Ten Calendar Years

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Civilian Labor Force Estimates</u>	<u>Unemployed</u>
1998	234,700	5,020,425	21,406	84,514	5.2
1999	234,500	5,167,514	22,131	83,419	5.0
2000	234,403	5,510,786	23,547	92,428	3.3
2001	234,000	5,804,141	24,885	94,606	4.3
2002	233,600	6,090,818	25,597	98,883	5.5
2003	233,900	6,419,772	27,088	98,939	5.7
2004	235,200	6,786,186	28,684	99,029	5.5
2005	235,500	7,044,989	30,528	100,614	5.4
2006	236,092	N/A	N/A	97,533	4.1
2007	241,727	N/A	N/A	N/A	N/A

Note:

1. Population from Weldon & Cooper Center for Public Services.
2. Unemployment rate from the Bureau of Labor Statistics.
3. Personal Income, Per Capita Personal Income and Civilian Labor Force Estimates from U.S. Census Bureau via the Virginia Employment Commission.
4. All data on an average annual calendar year.

N/A - Not available

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Demographic and Economic Information
Schedule 2
Ten Largest Employers
In Norfolk Primary Metropolitan Statistical Area
Current Year and Nine Years Ago

Employer	Rank	
	2007	1998
U.S. Department of Defense	1	1
Norfolk City School Board	2	3
Sentara Healthcare	3	2
City of Norfolk	4	4
Old Dominion University, Norfolk	5	5
Children's Hospital of the King's Daug	6	9
Norfolk State University	7	
United States Postal Service	8	8
Medical College of Hampton Roads	9	
Ford Motor Company	10	7
Nationsbank		6
Harris Publishing Company and Harris Select		10
Total Employment	93,488	80,154

Note:

1. The source of the City's top ten employers is the Virginia Employment Commission.
2. The data for 2007 is as the 1st quarter ended March 31,2007 as the June 30, 2007 data was not available.
3. The source of the City's total employment is the Bureau of Labor Statistics. The 2007 total employment data was not available therefore 2006 data was used.
4. Each of the top 10 employer has 1000+ employees. The actual number of employees data for each employer was not available.

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Demographic and Economic Information
Schedule 3
New Construction and Property Values

Year	Residential Construction			Non-Residential Construction			Commercial Personal Property	Commercial Real Property	Individual Personal Property	Residential Personal Property	Nontaxable Property
	Building Permits	Number of Units	Estimated Value (in thousands)	Building Permits	Estimated Value (in thousands)						
1998	192	282	24,263	54	79,500	574,623	1,884,971	471,279	5,365,410	6,377,080	
1999	175	242	22,032	46	52,932	583,808	2,024,750	533,220	5,459,381	6,543,895	
2000	187	307	32,609	45	138,473	625,137	2,159,299	599,471	5,477,479	6,807,306	
2001	186	400	35,069	35	62,046	643,383	2,259,787	624,162	5,730,471	6,861,737	
2002	290	462	44,498	53	51,451	678,095	2,337,440	642,454	6,121,946	7,014,866	
2003	277	324	39,979	41	32,262	721,087	2,447,330	661,972	6,648,174	7,385,564	
2004	506	601	75,801	71	14,658	727,413	2,620,673	722,212	7,428,994	7,924,803	
2005	560	1,191	204,391	80	80,316	785,970	2,784,658	790,489	8,916,075	8,299,155	
2006	531	1,058	133,053	60	165,989	805,696	3,050,029	833,858	11,532,778	8,974,261	
2007	389	491	688,476	55	81,396	840,047	3,016,693	856,817	13,727,791	9,378,209	

Notes:

1. The source of nonresidential and residential construction is the City's Planning Department. Nonresidential construction includes commercial buildings. Public buildings, schools, public utility buildings and miscellaneous structures.
2. Property values are based on data supplied by the the City's Commissioner of Revenue and the City Assessor. Real property is assessed at fair market value.
3. Property value information does not include property of public service corporations. Real property assessments shown do not include assessments for vacant land.

(UNAUDITED)

School Board for the City of Norfolk
 City of Norfolk - Demographic and Economic Information
 Schedule 4
 Annual Employment Average by Industry
 (in thousands)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Goods-Producing Industries										
Agriculture, Forestry, Fishing & Hunting	***	***	***	***	***	***	***	***	***	***
Mining	***	***	***	***	***	***	***	***	***	***
Construction	6.2	6.0	6.0	6.1	6.3	6.2	5.7	6.1	6.1	6.1
Manufacturing	10.8	10.1	10.0	10.0	9.8	9.8	9.8	9.8	9.6	8.7
Service-Providing Industries										
Wholesale Trade	6.0	6.4	6.5	6.0	5.8	5.3	5.2	5.0	5.0	5.0
Retail Trade	14.4	12.9	14.4	14.8	14.7	14.3	14.0	14.2	14.0	14.3
Transportation and Warehousing	10.6	11.2	11.5	12.0	11.6	11.0	10.1	9.7	9.9	9.3
Utilities	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Information	4.4	4.8	4.3	4.0	4.1	4.2	4.0	4.2	4.0	3.5
Finance and Insurance	7.1	7.2	7.5	7.5	7.4	6.9	6.9	7.1	6.7	6.0
Real Estate and Rental and Leasing	3.0	2.9	2.9	2.9	2.8	2.7	2.8	2.7	2.8	2.9
Professional and Technical Services	7.1	7.4	7.2	7.1	7.3	8.2	8.1	10.2	10.1	10.2
Management of Companies and Enterprises	3.4	3.8	4.3	4.0	4.1	4.0	3.8	3.6	3.7	2.7
Administrative, Support, and Waste Services	10.0	9.0	7.4	7.1	7.6	7.7	7.8	7.5	7.5	7.4
Educational Services	13.4	13.5	13.2	13.7	14.1	14.4	14.5	14.7	15.2	15.5
Health Care and Social Assistance	17.7	18.1	17.3	17.1	17.8	18.3	18.9	19.2	19.6	20.1
Arts, Entertainment and Recreation	2.2	2.0	1.9	2.0	2.1	2.1	2.2	2.2	2.3	2.4
Accommodation and Food Services	9.9	9.7	9.7	10.1	10.3	10.4	10.7	11.1	10.9	11.1
Public Administration	17.0	15.9	15.5	15.4	15.5	15.7	15.1	12.3	12.1	12.2
Other Services	4.6	4.5	4.6	4.7	4.5	4.1	4.1	4.2	4.3	4.1
Total	148.7	146.2	144.8	145.4	146.6	146.2	144.4	144.6	144.6	142.4

Note:

1. Labor Market Statistics, Virginia Employment Commission is the source of annual employment averages by industry.
2. All information on an average annual calendar year.
3. ASTRICKS indicate non-disclosable data.
4. This schedule includes data for the ten year period 1997 - 2006 as calendar year 2007 data was not available.

(UNAUDITED)

School Board for the City of Norfolk
 City of Norfolk - Operating Information
 Schedule 1
 Full Time Equivalent Positions by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Governmental Activities:										
General Government	345	467	480	488	494	438	396	457	450	477
Judicial Administration	44	39	30	30	28	27	25	20	16	17
Public Safety										
Police	766	768	794	837	858	857	875	858	839	1,031
Fire	484	490	483	478	485	490	491	507	499	508
Other	104	79	79	81	86	85	84	84	84	-
Public Works	362	307	393	367	380	393	389	389	392	379
Health and Public Assistance	622	582	591	581	579	557	604	513	562	469
Culture and Recreational	599	595	313	412	428	479	484	483	406	478
Community Development	98	82	100	67	64	64	72	74	70	59
Business-type Activities:										
Water	262	247	233	224	235	245	251	279	264	261
Wastewater	78	76	71	70	74	79	84	91	95	96
Parking Facility	75	47	50	57	65	68	72	77	78	90
Total Full Time Equivalent Positions	3,839	3,779	3,617	3,692	3,776	3,782	3,827	3,832	3,755	3,865

Notes:

1. Average FTE data obtained from City of Norfolk's Human Resources Information System.

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Operating Information
Schedule 2
Operating Indicators by Function/Program
Last Five Fiscal years

<u>Function/Program</u>	2002	2003	2004	2005	2006	2007
Police						
Service Calls	288,004	274,245	206,644	206,378	191,037	237,451
Arrests	27,199	24,909	25,923	22,799	22,235	22,222
Reports Filed	34,587	35,116	34,087	34,167	29,600	31,986
Fire						
Incidences (Fires, EMS)	39,621	41,484	38,509	39,605	40,337	31,266
Highways and Streets						
Streets resurfacing (miles)	120	115	131	83	77	70
Sanitation						
Total solid waste collected and disposed (tons)	97,749	101,604	105,079	104,247	99,131	97,143
Water Utilities						
Water Delivered to Water Mains (Gallons in thousands)	24,960,000	24,818,000	24,822,000	24,723,000	21,721,000	24,326,000
Total Water Consumption (Gallons in thousands)	22,323,287	23,128,234	23,217,169	22,991,359	23,012,112	22,474,000
Percent of Unmetered Water	8.33%	8.81%	6.51%	7.95%	7.13%	7.30%
Average Daily Delivery (Gallons in thousands)	68,230	68,000	67,820	67,740	68,090	66,650
Maximum Daily pumpage (Gallons in thousands)	84,730	81,820	77,960	81,470	83,640	83,600
Minimum Daily Pumpage (Gallons in thousands)	56,800	58,190	59,340	58,410	57,200	56,200

(UNAUDITED)

School Board for the City of Norfolk
City of Norfolk - Operating Information
Schedule 3
Capital Assets and Infrastructure Statistics by Function/Program
Last Five Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>					
	2002	2003	2004	2005	2006	2007
Public Safety						
Police Stations	2	2	2	2	3	3
Fire						
Fire Stations	15	15	15	15	14	14
Paramedic Units	10	10	10	11	11	11
Transportation and Engineering						
Streets (lane miles)	2,011	2,006	2,013	2,015	2,183	1,660
Sidewalks (miles)	968	968	968	968	968	968
Bridges	50	50	50	50	50	49
Public Recreation						
Parks						
Acreage	587	588	589	590	591	587
Regional Parks	1	1	1	1	1	1
Neighborhood parks	121	121	121	121	121	85
Preserves and Nature Areas	1	1	1	1	1	1
Nature Education Centers	3	3	3	3	3	1
Playgrounds	45	45	45	45	45	79
Hiking Trails (miles)	7	8	9	10	11	1
Recreation						
Acreage	243	243	243	243	231	860
Recreational and Senior Centers	24	23	26	22	22	18
Play Areas	129	126	126	124	124	129
Swimming Pools	4	4	4	6	6	6
Tennis Courts	143	143	146	152	152	101
Baseball/Softball Diamonds	36	36	36	36	36	63
Football/Soccer Fields	18	18	18	18	18	47
Field Hockey	4	4	4	4	4	5
Basketball Courts	42	42	42	42	42	229
Municipal Beaches	3	3	3	3	3	3
Public Services						
Traffic Engineering						
Traffic Signals	289	291	294	299	299	283
Traffic Signs	9,376	9,825	10,021	6,044	7,936	7,363
Street Lights	31,594	31,502	31,694	31,721	29,888	30,200
Water Utilities						
Water Fund Capital Assets (in thousands)	\$ 429,567	\$ 428,801	\$ 429,714	\$ 424,948	\$ 425,289	\$ 431,655
Wastewater Fund Capital Assets (in thousands)	\$ 96,175	\$ 103,208	\$ 110,360	\$ 120,685	\$ 134,152	\$ 147,020
Total Water Utilities Assets (in thousands)	\$ 525,742	\$ 532,009	\$ 540,074	\$ 545,633	\$ 559,441	\$ 578,675
Water Customer Accounts	63,633	63,885	63,343	64,905	65,548	65,000
Miles of Water Main in the System	815	817	817	817	825	827
Municipal Golf						
Golf Courses	1	1	1	1	2	3
Convention Center						
Meeting Rooms	4	4	4	7	7	8
Exhibit Space (Square Feet)	58,430	58,430	58,430	58,430	58,430	58,430
Meeting/Ballroom Space (Square Feet)	5,230	5,230	5,230	9,700	9,700	9,700
Parking Facilities						
Parking Lots/Garages	30	30	28	28	28	21
Parking Meters	301	482	579	600	660	718
Stormwater Management						
Miles of Storm Sewers	351	351	351	351	351	357
Education						
High Schools	5	5	5	5	5	5
Middle Schools	8	8	8	9	9	9
Elementary Schools	35	35	35	35	35	35
Other Educational Facilities	13	13	13	11	11	11

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COMPLIANCE SECTION

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Chairman and Members of
The School Board for the City of
Norfolk, Virginia

We have audited the financial statements of the School Board for the City of Norfolk, Virginia, a component unit of the City of Norfolk, Virginia, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Board for the City of Norfolk, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board for the City of Norfolk, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Board for the City of Norfolk, Virginia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we did identify a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the significant deficiency, described in the accompanying schedule of findings and responses as finding 2007-1, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the significant deficiency described above as finding 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board for the City of Norfolk, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the School Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Greensboro, North Carolina
December 17, 2007

McGladrey & Pullen, LLP is a member firm of RSM International,
an affiliation of separate and independent legal entities.

The School Board for the City of Norfolk, Virginia
Schedule of Findings and Responses
Year ended June 30, 2007

Finding 2007-1

MATERIAL WEAKNESS

Criteria: Liabilities are incurred when contractors have provided services under their contracts and the amount and quality of work provided are inspected and approved by the School Board's ("NPS") independent architectural firm that is providing construction oversight.

Condition: A construction payable (approximately \$832,000) was not recorded in accounts payable at June 30, 2007.

Effect: Liabilities in the Capital Projects Fund were understated, and receivables from the City of Norfolk were understated, at June 30, 2007 by \$832,000.

Cause: Misunderstanding by facilities staff about when liabilities are "incurred" by NPS and miscommunication between facilities staff and finance staff when this invoice was discussed.

Recommendation: We recommend that facilities and finance staff meet together, perhaps including NPS' legal counsel, to review when NPS "incurs" a legal liability for worked performed under construction contracts.

Views of responsible officials and planned corrective actions: Management concurs with the facts and will take steps to improve the understanding of when liabilities are incurred, and to improve communication between the facilities and finance departments when questions, on which either side is unclear, arise.

School Board for the City of Norfolk, Virginia

**Corrective Action Plan
For the Fiscal Year Ended June 30, 2007**

Financial Statement Finding

Finding 2007-1

Name of Contact Person: Frederick J. Schmitt
Chief Financial Officer

Corrective Action: See "Views of Responsible Official"

Proposed Completion Date: Already completed.

School Board for the City of Norfolk, Virginia

**Summary of Prior Audit Findings
For the Fiscal Year Ended June 30, 2007**

There were no prior audit findings that remain unresolved at June 30, 2007.

School Board for the City of Norfolk, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Amount
Federal Granting Agency:		
Pass-through payments:		
U.S. Department of Agriculture:		
National School Lunch Program (Commodities)	10.556	\$ 961,035
National School Breakfast Program	10.553	2,212,717
National School Lunch Program	10.555	7,301,962
U.S. Department of Education:		
Education Consolidation and Improvement Act of 1981:		
Adult Education	84.002	341,160
Advanced Placement	84.330	8,851
Title I:		
Educationally Deprived Children Programs Operated by LEA's	84.010	18,338,292
Comprehensive School Reform Demonstration Program Phase II	84.332	347,039
School Improvement Grant	84.010	77,811
Chapter I:		
Evenstart Program	84.213	683,437
Title IV:		
Negligent Delinquent Children	84.010	213,340
Elementary and Secondary Education Act (ESEA):		
Title VI-B:		
Special Education Flow Through	84.027	6,572,844
Assistive Technology Grant	84.027	61,535
Silver Grant	84.027	1,240
Handicapped Preschool Incentive Grant	84.173	245,663
Vocational Education:		
Consumer and Homemaking	84.048	1,009,588
Beating the Odds	84.218	16,301
9TH Grade Transition	84.298	6,745

-Continued -

School Board for the City of Norfolk, Virginia
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2007

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Amount
Federal Granting Agency:		
Pass-through payments:		
Special Projects:		
ESEA, Chapter II	84.298	\$ 199,182
Comm Central Phase II	82.287	108,362
Comm Central	84.287	36,573
Drug Free Act	84.186	336,902
Enhancing Education with Tech Phase II	84.318	500,027
Enhancing Education with Tech	84.318	224,766
Gear Up Access Virginia	84.334	11,531
McKinney Homeless Assistance	84.196	38,385
Reading First	84.357	831,466
Limited English	84.365	49,928
Substitute Teachers	84.048	1,900
Teacher & Principal Training	84.367	3,112,486
Teacher Quality Enhancement	83.336	9,011
NASA-Exploring Space		10,000
Emergency Aid Impact	84.938	297,378
Enhanced Reading Opportunity	84.215	829,011
Subtotal Pass-Through Federal Grants		<u>44,996,468</u>
Direct Payments:		
Department of Education:		
School Assistance in Federally Affected Areas	84.041	6,196,900
Department of Defense	84.010	668,527
Department of the Navy:		
Navy Junior ROTC	N/A	306,715
Erate-Universal Service Funds	N/A	267,572
Subtotal Direct Payments		<u>7,439,714</u>
Grand Total		<u>\$ 52,436,182</u>

**SCHOOL BOARD FOR THE CITY OF NORFOLK
(COMPONENT UNIT FOR THE CITY OF NORFOLK, VIRGINIA)
YEAR ENDED JUNE 30, 2007**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School Board and is presented on the modified accrual basis of accounting.

Note 2. Noncash Assistance

Included in the amounts reported on the Schedule of Expenditures of Federal Awards, the School Board consumed donated assistance in the form of food commodities. Commodities with a fair value of \$961,035 were received during the year ended June 30, 2007. Commodities in the amount of \$860,775 were consumed and included in the determination of Federal awards expended for the year ended June 30, 2007.

Note 3. Type A Programs

Federal programs reported by the School Board are subject to a combined single audit approach (i.e. auditee risk assessment and major program threshold determination) of the primary government of the City of Norfolk, Virginia (City).

The amount used to distinguish between Type A and Type B programs was \$2,949,750. Major federal programs relating to the School Board selected as part of the City's combined single audit were:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.010	Title I Educationally Deprived Children Programs Operated by Local Education Agencies
84.041	Title VII Federal Impact Aid
10.553	National School Breakfast Program
10.555	National School Lunch Program
10.556	National School Lunch Program (Commodities)
10.559	USDA Summer Food Service

There were no findings on the internal control over major federal programs relating to the School Board.